World

America's Magazine of World Events

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ONE YEAR AFTER STALIN

By Franz Borkenau

SOVIET POWER vs. AMERICAN POWER IN 1960

By Edward Crankshaw and Leon H. Keyserling

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World

Pattern of Events

The Berlin conference, in its opening weeks, showed only that Soviet demands were still inflexible, that Soviet negotiating was largely evasive action. No common ground was cleared for a formal settlement of outstanding issues—the kind of settlement which might give the world a genuine release from international tension.

Instead, it appeared that the Communists had broken out of the military clinch in Korea, and partially defrosted the cold war, because they preferred a diplomatic war of maneuver. They were waiting to see what might happen in a more fluid world situation—but they were prepared to take quick advantage of any opportunity with any means at their disposal, from armed guerrillas in Asia to jolly dinners in Berlin. Less grim than the cold war, less tragic than the Korean War, this new, unpredictable war of movement may be even more of a challenge to the US since it will be fought on many fronts, in myriad ways, and mainly against our weaker allies.

If, at Berlin, the USSR was actually leading from internal weakness, then Molotov was indeed a master bluffer. His policy on Germany showed not the slightest quiver to indicate that the Soviet bloc needed a respite from pressure. Pending a decisive upset in the struggle for power now going on inside the Kremlin (see "One Year After Stalin," p. 8), the USSR was not ready to give up anything important (such as East Germany) to get an international breather.

On the contrary, the Communists seemed unaware of any reason why they should not hold onto what they already have in Europe and Asia, and, if possible, consolidate these gains with Western recognition. The main Soviet objective at Berlin apparently was to convene a five-power conference on Asia. Such a conference would, in effect, recognize Red China as a world power, end Soviet loneliness among the great powers, and give the Communists a commanding new voice in Asia.

To achieve this, the USSR concentrated at Berlin on a diplomatic offensive to split France and the US over the question of German rearmament. In order to keep France in line with the proposed European Army, the US was forced to go along with the urgent French desire for an end to the war in Indo-China. Since peace, as Moscow made plain, could come only through a five-power conference, the US would have to acquiesce to a meeting with Red China. If the US balked, then Moscow could hope that France would remain a fatal gap in the West European defense cordon (see "The Secret Substitute for EDC," p. 32).

In Indo-China itself, the Communists showed that, despite the Korean truce, they had not forsworn the use of arms—at least to back up a diplomatic drive. There the Communists were still putting more direct military pressure on the West than the US was able or willing to meet, or to exert on any sector of the Soviet world.

At the same time, the Communists were careful to avoid moves which might lead to war, or to another open test of military strength, Korea-style. Since the economic potential of the USSR for making war still lagged far behind that of the US (see "The Race of the Giants," p. 30), it was unlikely that the Communists would seek a showdown in the near future. Therefore, the shift in 1953 from Stalin's threatening, provocative stance to a policy of "normalizing" international relations would probably prove permanent.

The Soviet bloc was already capitalizing on the post-Stalin freedom in international give-and-take. By their willingness to "cooperate," not only Soviet diplomats but local Communist parties were tempting the doubtful or divided nations of the West with the short-run political advantages of taking a course independent of US defense commitments. Along with these invitations, Moscow was offering a massive bribe: the opening of Soviet-bloc markets to Western goods.

But Soviet diplomats were still adept at sabotage: by well-timed moves in the Middle East and the Balkans, they were doing their best to keep alive any domestic or international conflicts which might nullify the value of these areas to the West.

Upon arrival in Berlin on Jan. 23, Molotov immediately announced that "the sooner China takes part in negotiations on international questions, the better." Two days later, when the conference formally opened, Molotov offered an agen-

da on which the first item was "preparations" for a five-power foreign ministers' conference including Red China.

To save time, the US accepted the Soviet agenda, at the same time refusing to discuss general world problems with Red China and stressing that the Berlin conference had met to deal with Europe. The same day, French Foreign Minister Bidault courageously backed up Dulles' distinction between Asia and Europe: France, he said, would not trade the defense of Western Europe for "the illusory promise" of a Soviet-arranged peace in Indo-China.

Molotov, however, had little to offer Europe: in his opening speech, he dwelt lovingly on the community of French and Soviet interests, of French and Polish interests, etc., in preventing the revival of German military power. Molotov ignored the Allies' detailed plan for free all-German elections, and their concession that a unified German government would be free to choose or reject EDC. On Feb. 1, he blandly submitted his old draft treaty for unifying Germany into a handy package, ready for delivery to Soviet power: fusion of the Bonn and East Zone regimes as equals, withdrawal of all foreign forces, a ban on all foreign alliances, etc.

As a garnish to this stale dish, Molotov tossed out several proposals calculated to appeal to European neutralists; a disarmament conference; a conference to promote East-West trade; a 50-year pan-European mutual security pact excluding the US.

Since this was "totally unacceptable" to the West, on Feb. 7 the foreign ministers wearily returned, in secret session, to the first item on the agenda. Under French urging, Dulles was reported to be considering negotiations in Indo-China, and, perhaps, a five-power conference—if it could be confined to specific Asian questions.

Military initiative in Indo-China was also being wielded by the Communists. On Jan. 30, Viet Minh rebel armies besieging the French stronghold of Dienbienphu in northern Viet Nam suddenly sent a column southward into the kingdom of Laos. By Feb. 11, the invaders were again within striking distance of Luang Prabang, the Laotian capital which they had menaced last spring. The Viet Minh armies were strong enough for simultaneous local attacks all along the disconnected front: by Feb. 2, they had taken 40 small outposts in the far south of Viet Nam, aided by the defection of French-trained Viet-Namese garrisons.

The growing military crisis produced a flurry of international moves: on Feb. 7, French Defense Minister René Pleven flew to Indo-China from Paris; on Feb. 10, General Hull, US Commander in the Far East, left for Washington. On the same day, the first of 400 American technicians arrived in Indo-China to help service French aircraft. Meanwhile, a steady transfer of Chinese jet fighters was reported from Manchuria to airfields adjoining Indo-China.

Protests by Democratic Senators in Washington against the Administration "involving" the US in Indo-China without consulting Congress were met with an emphatic denial by Senator Knowland that US fighting forces would be sent to Indo-China. The National Security Council was reported engaged in a hasty review of the Indo-Chinese situation to determine future US policy.

Whatever the Council's decision, Viet Minh attacks were increasing the strain on France, and widening the rebels' territorial holdings in case of a negotiated truce.

On the Korean front, the Communists showed no stomach for further fighting. On Jan. 25, after two years of negotiations in which they had proved to be the main stumbling block, the 22,000 Chinese and North Korean prisoners who refused repatriation were finally released by the UN command. The Communists bitterly warned that this act would imperil the whole armistice—but failed to back up their threats with any action. US Army Chief of Staff, General Ridgway, on Jan. 14 told a Senate committee that the Chinese had withdrawn "substantial" numbers of troops from North Korea.

The previous day, President Eisenhower confirmed reports that the Chinese were heavily fortifying the present truce line. Thus, despite new overtures for a Korean peace conference, China appeared less interested in unifying Korea than in holding firmly onto the northern half.

Italian Communists had apparently decided that time was on their side; they were busy making themselves agreeable to everyone (see "Operation Picnic," p. 14). Prodded by radical Catholic elements (see "Can the Church Work with the Left in Italy?" on p. 38), the Christian Democrats were trying to form a social-reform Cabinet as the only way to halt the leftward drift of Italian voters which began in last June's parliamentary elections and has continued in recent local contests.

On Jan. 12, the Christian Democrats sponsored Amintore Fanfani, one of their left-wing planners, as Premier. Fanfani's program of reforms cut off any prospect of Monarchist support;

his outspoken anti-communism and his call for quick ratification of EDC alienated the Right Socialists, whose leader, Giuseppe Saragat, is trying to woo Pietro Nenni's Left Socialists away from their Communist alliance. On Jan. 30, the Italian Parliament rejected (303-260) Fanfani's laboriously formed Cabinet before it even took office.

It seemed unlikely that the Christian Democrats could assemble a dynamic Left-oriented government; on Feb. 8 their second choice for Premier turned out to be moderate Mario Scelba, a veteran of coalitions with the balky little Center parties, but one who, as Interior Minister, has shown himself an uncompromising foe of the Communists.

A Left-to-Center move, on the other hand, was the cause of crisis in Italy's Communist neighbor, Yugoslavia. On Jan. 7, popular Milovan Djilas, close friend of Tito and No. 3 man in the Yugoslav hierarchy, climaxed a liberalization campaign by declaring that the monopolistic Communist party no longer had a place in Yugoslav society. "Today," Djilas said, "progress is only possible in democratic forms." On Jan. 17, Djilas was summarily expelled from the Communist Central Committee and forced to resign as President of the Assembly. Marshal Tito, who led the attack on Djilas, clearly was not ready to abandon the classic Communist structure of Party control.

The expulsion of Djilas indicated only that he had gone too far, not that Yugoslavia was going to reverse its trend away from Stalinism; Djilas' successor as Assembly President was Moshe Pijade, who drafted most of the liberalization decrees after the break with Stalin.

On Jan. 30, the Cominform openly called upon Yugoslavia to return to the Soviet fold and abandon its "ruinous" pro-Western policy—an invitation aimed at die-hard Yugoslav Communists fearful of being "liberalized" out of existence. Immediately, Marshal Tito made an emphatic distinction between Western democracy at home—which Yugoslavia did not want—and Western democracy abroad, which Yugoslavia wanted as an ally.

To defend South Asia against Soviet incursions, the US is building a new Turkey-Iran-Pakistan military axis—and finds itself in danger of losing friends in order to win allies (see WORLD, Feb., p. 37). On Jan. 15, Afghanistan, which borders the USSR and has a sour boundary dispute with Pakistan, branded US military aid to Pakistan as "undesirable." India's Prime Minister Nehru continued his intense opposition in a keynote speech to the Congress party convention on Jan. 23, when he said the proposed US aid would make Pakistan a "war area." In a campaign speech on Jan. 24, Pakistani Prime Minister Mohammed Ali said he refused "to be dictated to by anyone, including India." On Feb. 6, Nehru showed that he still held the whip hand in disputed Kashmir (where Pakistan ardently desires a plebiscite) by cracking the whip sharply; the local Kashmir Assembly ratified the 1947 accession of the state to India unanimously.

India was looking for allies in its resistance to a US-sponsored extension of the free world's defense system. In his Congress party speech, Nehru called for a series of non-aggression pacts in South Asia (including Pakistan) and expressed the hope that "other Asian countries will join in building a bigger area of peace." This was a modest echo of the appeal made by Sir John Kotelawala, Prime Minister of Ceylon, in his speech before the Indian Parliament at New Delhi on Jan. 18. Kotelawala, who had previously visited Pakistan to set up a meeting of South Asian Prime Ministers in April (see WORLD-CABLE, Jan. 8), called for a joint fight against communism and also for "the emergence of an Asian bloc which both sides would respect."

Whether or not the formation of an independent South Asia bloc would serve as a bulwark to Soviet aggression, or an invitation to Soviet diplomacy, might depend on whether the neutralism of Nehru or the anti-communism of Kotelawala prevails.

In the Middle East, US efforts to back up its projected South Asian defense line had also stirred up a hornets' nest of international rivalry. On Jan. 15, Israel strongly protested American plans to arm Iraq and Saudi Arabia, which are still technically at war with Israel. Instability in the Middle East clearly served Soviet purposes: on Jan. 22, a Soviet veto in the UN Security Council killed an attempt to settle the dispute between Syria and Israel over development of the Jordan Valley—and gave a leg-up to Syrian intransigence.

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LETTER FROM THE PUBLISHER

Dear Reader:

On the 38th Parallel and in the jungles of Laos, Red China makes terrifying though completely comprehensible news. But what is going on inside this empire of 450 million people? A good place to find out is Hong Kong, as close to China as a free man can get today. The old British Crown Colony is buzzing with rumors, guesses, wishful reports, secret messages, smuggled information, official lies—straws that the wind blows through the Bamboo Curtain.

WORLD's man in that crucial spot is Ron G. Whitehead. In his excitement-filled forty-three years, he has come to know the Far East and its peoples as few other Westerners have—as correspondent, soldier, trader, trucker, and intelligence agent.

Born and educated in New Zealand, Ron got his first job at seventeen—cub reporter on the Wellington *Dominion*, later graduating to aviation editor. After two years, he resigned to travel in Europe and try for a commission in the RAF. A year later, he won his pilot's wings.

In 1933, Ron returned to New Zealand and worked for a time as advertising manager of his father's department store. "But the call of the air was too strong," Ron says, and he crossed over to Australia as a barnstorming stunt flier. He made headlines flying back to New Zealand across the 1200-mile Tasman Sea in a single-engined plane in 1934. Later, as a commercial pilot, he flew dynamite and rice to the New Guinea gold mines, crossing high mountain ranges and cannibal-infested jungles in his rickety plane.

But when the Japanese invaded China in 1937, Ron, lured by the prospect of still greater thrills, asked the Chinese for a job as military pilot. The answer came by return cable: "All expenses, US $500 a month and a bonus on Japs shot down."

For two years he flew against the Japanese. He was shot down in combat—the only survivor of four Chinese fighters which tangled with six Japanese bombers. It took six months to patch him up in hospitals in China and Hong Kong, where he was flown by order of the "Missimo," Madame Chiang Kai-shek herself.

Ron's contract expired in February 1939, and he spent the next eighteen months trucking gasoline from French Indo-China to Chungking. "I made a small fortune, but lost it all when the Japanese forced the French to close the frontier—at that moment my trucks were on the wrong side." When the Japanese landed in Indo-China in 1940, Ron managed to get out just ahead of them by taking a taxi sixty-five miles through back country, and then walking another thirty miles to the Chinese border. A Chinese wrecking engine gave him a lift back to Kunming.

There his troubles continued. First, the Japanese blew up his big Chinese house; next he nearly succumbed to smallpox. But Ron lived to join the newly formed American Volunteer Group (the Flying Tigers) under Colonel Claire Chennault.

When AVG was incorporated into the US Army Air Force, New Zealander Whitehead worked for British Intelligence until the end of the war. Then, in 1945, he set up an export-import business in Hong Kong which thrived until the spreading Nationalist-Communist conflict disrupted foreign trade. Next he spent a year as confidential investigator for the Hong Kong government, and at last returned to his first love: journalism. He worked as editor on the *South China Morning Post*, as correspondent for Reuter's and INS. Last year, he became WORLD's Hong Kong correspondent. As a side line he is official Hong Kong cameraman for NBC-TV: the next time you see Hong Kong on your screen, the chances are Ron was the man behind the camera.

The Seven Lives of Ron Whitehead — soldier, trader, trucker, stunt pilot, intelligence agent, ad man, correspondent.

Like the backgrounds of other WORLD correspondents, Ron Whitehead's extraordinary life has made him an expert at separating fact from fiction and fitting the pieces of the Chinese puzzle into a meaningful, usable pattern.

Sincerely,

Roger S. Ridley

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COVER: One of the USSR's millions of laboring peasant women scans the post-Stalin future with skeptical hope. For the struggle between her new rulers, see p.8; for the economic burden she faces, see p. 14.

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VOL. 1 NO. 9 World MARCH 1954

What's happening in the U.S.S.R.

ONE YEAR AFTER STALIN

By FRANZ BORKENAU

THE dictator was dead, and instead of the funeral pyre of a god he received three perfunctory orations by Malenkov, Beria and Molotov, and an indecently hasty burial. Then, for months, his name was scarcely mentioned in the Soviet press; gone, seemingly forever, was the illusion of divinity which he had so assiduously built up around his person. The posthumous treatment of the name and fame of Josef Stalin gives the measure of the abysmal hatred which even his officially most faithful paladins bore for this man who, in the years of his rule, allowed no one of them a single moment of physical or mental security.

Did this scrapping of the Stalin legend imply a break with the political system to which the world gave his name, "Stalinism"? In the year since his death there have been ups and downs in the official remembrance of his person and achievements; recently, and quite inconspicuously, the mausoleum where he lies beside Lenin was once again opened to the public. But the triumvirate of Malenkov, Beria and Molotov, who at first succeeded to his throne, took great care to eschew his methods of government. Emphatically, in their very first statement, they proclaimed "collective leadership." That policy implied a total revolution. Monarchy, the rule of one man with absolute dictation over life and death, was abolished in the motherland of communism.

In its stead came oligarchy, the rule of a select few. On March 6, the old Politburo, which Stalin had abolished in mid-1952, again took over with only minor changes in personnel. The name alone was new: the Politburo was refurbished as the "Party Presidium." In this body were represented all of those who wielded power—the bosses of the major *apparats*: (Party, Army, Police and Civil Service), of heavy and light industry, and of the trade unions.

Simultaneously with their assumption of full power as a collective group, each of the bosses also sought to exploit the death of Stalin for his individual benefit—to win the greatest possible concentration of political power for himself. The big departments, fragmented gradually into more and smaller units by Stalin since 1946, were reinstated; the monolithic state was rebuilt in bigger blocks. Specifically, the two separate

◀ **Heiress** *to the Man of Steel, a little Russian girl in Brest-Litovsk brings home the first nibbled dividend declared by his successors—Moscow's new Men of Bread.*

Party, State, and Army are locked . . .

security ministries, MVD and MGB, were again united under Beria, while the Navy was once more subordinated to the Army under Bulganin. In the process, the lines of conflict narrowed; the major protagonists emerged.

The first crisis to confront the new "collective leadership" was Malenkov's attempt to restore the dictatorship, with himself as dictator. On March 6 he assumed the offices of Prime Minister and First Party Secretary, thus ensuring his control of both State and Party. A few days later he underscored the point by having a photograph published in the Soviet press ostensibly showing him in a closed committee session, alone, with Stalin and Mao Tse-tung.

Malenkov's claim to full succession could not have been expressed more clearly. What made the incident even more sinister and infuriating to his fellow triumvirs was that the photograph was faked. Before retouching, it had shown the signing of a treaty with China; a host of Soviet notables were present, and Beria stood at Malenkov's elbow!

Beria reacted swiftly and, so it appeared, decisively. He apparently succeeded in winning the support of the majority in the new Presidium, or Politburo, for a series of countermeasures. The retouched photograph was immediately suppressed. On March 21 Malenkov "by his own decision" resigned from the Party Secretariat. Simultaneously, his name practically disappeared from the Party press; for nearly three months, until Beria so dramatically fell from power, the would-be dictator was scarcely mentioned.

The Policeman vs. the Generals

And yet Beria was not able to maintain his own bid for supreme power at the head of the "collective leadership." Why did he fail?

There were two basic reasons: he could not get the support of the Army; and failing in this, he was driven to extreme, risky policies which proved his undoing.

Beria's attempts to win over the Army were doubtless doomed from the start. The feud between the Army and the Secret Police is almost as old as the Soviet regime itself. In 1937, the MVD exterminated the entire general staff in what appeared to be a decisive victory. But during World War II the Army again came into its own and obtained practical freedom from MVD control. With the war's end, however, this independence won on the battlefield was again curtailed. On May 11, 1945, the chief promoter of Army independence, A. S. Schcherbakov, a civilian who held the assimilated rank of Marshal because of his wartime work with the Army, died in extremely suspicious circumstances. With Stalin's consent, the MVD regained part of its former powers.

Beria succeeded in holding and even extending these powers until Stalin, in the last year of his reign, suddenly turned against him and his police. The spurious plot of the Jewish doctors in the Kremlin was clearly staged as an appeal to the Army High Command, whose leaders were represented as the intended victims. It was designed to crush Beria, who was charged with criminal negligence in failing to discover the plot and take action against its perpetrators. The fact that Beria was not immediately executed early in 1953 was due entirely—and perhaps not accidentally—to the death of Stalin.

Once again the Army, deprived of Stalin's support, had to let Beria and his MVD escape. However, the High Command received unexpected largesse from another direction. Marshal Georgi Zhukov, darling of the troops and of the country as the conqueror of Berlin, suddenly reappeared on March 6, 1953, after seven years of virtual exile. His new position as Vice-Minister of the Army, coupled with his undiminished popularity, reduced War Minister Bulganin, nominally his superior, to the role of figurehead. With one stroke, this appointment gave the Army a close approximation of the political independence it had enjoyed during the wartime years.

Thus there was created a major power factor which, while not necessarily hostile to the Party leaders, was still basically non-Party in character. From this moment on, the Army as a political force had once more to be reckoned with.

The rise of the Army boded ill for Beria, regardless of his temporary escape. But the Army did not strike at once; it too was divided at the top, between the professionals of the Zhukov type and a group of fanatical Communists headed by Marshals Vasilevsky and Govorov. Beria brought about his own downfall by antagonizing both groups.

Knowing the weakness of his own position, Beria sought safety by appealing to the broadest possible strata of the nation. In a rush, he put through a long list of measures popular with the people, but which tended to undermine the regime: a far-reaching political amnesty and changes in the criminal code; a re-

Franz Borkenau *was an agent of the Comintern in Western Europe until 1929, when he broke permanently with the German Communist party. Among his authoritative books on the Soviet system are* World Communism *and* European Communism, *issued in 1953.*

versal of Stalin's economic policy, which included relief for the peasants and a campaign to increase the production of consumer goods; widespread concessions to the national minorities; and a total change of foreign policy involving significant retreats in the satellites.

Some of these measures antagonized the fanatics among the Army's top command. Others, such as the steps favoring national minorities and the satellites, antagonized the Army moderates. The way was thus opened for Malenkov to come into his own again by cooperating with the Army against Beria.

Caught in this trap of his own making, Beria fell from power on June 26. His defeat was complete; his death put the seal of finality on his failure. But even this did not give personal power to Malenkov. Beria's passing produced a second structural departure from Stalinism, no less important than that of March 6, 1953, after the Iron Dictator's death. For with Beria fell the MVD, the strong arm of the Party, the physical power by which it had maintained its rule for so many years. Without the MVD, the Party was paralyzed. The Army inherited a near-monopoly of coercion inside the USSR.

Break-up of the Monolith

Since June 26, 1953, the Party has been totally dependent upon Army support. From that day, totalitarian Party rule ceased and the regime was governed by joint Party-Army authority—as profound a revolution as any state can know.

Collective leadership, installed the day after Stalin died, also expired on June 26. In its place arose a dyarchy, the rule of two: Malenkov and Khrushchev.

The Leningrad purge of last November showed the deep antagonism between these two men (WORLD, Feb. '54). Now they are equals. In September, Khrushchev was promoted from Communist Party Secretary, which he had been since March, to First Secretary. While the change in rank involved no change in function, it did give Khrushchev the title Stalin wore from 1922 to 1939.

Simultaneously, Party and government, which for years had been practically identical under Stalin, were separated, not to say segregated. Thus another pillar of the Communist regime, the basic identity of Party and State, has fallen.

These matters raise a question basic to our times. Has the regime been weakened by Stalin's death and its aftermath? It is not a question that can be lightly answered, or dealt with in a few words. That the regime has been weakened is obvious to the blindest eye. But what conclusions should be drawn from this fact?

The present situation is clearly transitional. Dyarchies never last, and Malenkov and Khrushchev can scarcely be given a better chance of composing their differences than Caesar and Pompey. The next Party crisis is plainly approaching, though it need not, and may not, come as quickly as the fall of Beria followed Stalin's death.

The time factor depends on internal developments in the Army, on the ability of the two main bodies of opinion to agree. At present, it is not even clear on what they should agree. On the choice between Malenkov and Khrushchev—in other words, on the election of a new dictator? Or on an Army move to get rid of them both?

The Revolt of the Classes

Behind the purely political developments and considerations lurks a new imponderable: the profound social transformation through which Soviet society is passing. Ever since Stalin assumed sole power the new aristocracy of the Soviet upper crust and the broad new middle class of officers, managers, engineers, civil servants and scientists has been rapidly growing. But under Stalin this elite's aspirations to power were brutally thwarted. The purge of 1937-38 decimated its ranks so thoroughly that for fifteen years it dared not raise its head.

When Stalin died, however, the pent-up ambitions of this class exploded. The reaction of the new government was immediate—it had to be. With their funeral orations, the Soviet leaders initiated a campaign to persuade their subjects that the government was concerned primarily for their well-being, words obviously aimed at the fully mature, non-Party stratum of the new aristocracy.

The character of the consumer goods now being mass-produced bears witness to this fact. They are not of a kind to impress the workers. Loud self-praise for the increased production of champagne may win the approval of generals and managers, but it leaves bricklayers and factory hands—quite literally—cold. The ugly, continuing neglect of housing shows the government's unchanged contempt for the needs of the real masses. By contrast, the increase of supplies for the upper classes is not a subject of intra-Party conflict. If their political aspirations are to be contained, their material needs must be catered to.

The intra-Party struggle is at a different point. Apart from the fight for power between Malenkov and Khrushchev, essentially it centers on two problems: agriculture and foreign policy.

Agriculture is officially presented as an issue of increased supplies for the population. Actually, it is more than that. Khrushchev treated it as a key problem when, last September, he revealed the full extent of

Soviet failures in this field. Throughout Stalin's rule, when industrialization was making giant strides, agriculture not only lagged behind but actually declined except in the output of grain. Further industrial expansion is unthinkable without great improvement in agriculture.

Stalinist collectivization has failed. There are only two ways out: appeal to private incentives or increased pressure by State and Party on the luckless peasant.

Private incentives, with a strictly limited labor force and capital investment lagging because of technical inefficiency, means strengthening the private at the expense of the collective sector of agriculture. Increased state pressure, which Khrushchev proposed—and Malenkov violently rejected—means transforming agricultural collectives into state farms, making *kolkhozniki* into simple laborers, and villages into "agrotowns" where peasants will live in rented flats under MVD supervision. Such a program would mean several years of chaos in the countryside, to say nothing of impossible construction tasks for Soviet builders.

The program finally advanced by Khrushchev in September in the name of collective leadership was a poor compromise of both schools of thought, a hodgepodge of two incompatible policies. Briefly, it envisaged the simultaneous use of private incentives and stronger controls. In execution, the absurd combination broke down, with Khrushchev's *Pravda* advocating greater control and ignoring private incentives, while *Agriculture*, the organ of the Ministry of Agriculture, continued to boost incentives.

At present, the whole issue is the subject of a fierce conflict between Khrushchev, as supreme authority over agriculture on the one hand, and Benediktov, his Minister of Agriculture, on the other. Actually, the agricultural debate poses the tremendous decision between a new social revolution and a retreat from communism. The choice is one of basic principle, and it mercilessly reveals the crisis of the hour: behind the political disintegration of the topmost level lurks the instability of the whole social and economic basis of the Soviet regime.

Another Impasse: Foreign Policy

The issues concerning foreign policy likewise have been inherited from Stalin. Behind the screen of the cold war the West scarcely noticed the lack of coherent Soviet international policy since, in 1947-48, the last attempts at revolutionary action in France, Italy, Germany and Greece ended in failure—a failure which became final when the Korean front congealed.

The inactivity which was a fundamental characteristic of both Soviet foreign policy and world communism in the period of 1949-52 may well have been to the liking of Molotov, an old enemy of "compromise," who, as late as the Nineteenth Party Congress of October 1952, could summon up nothing better than the old bogey of "capitalist encirclement" of the USSR. At that Congress, Stalin and Malenkov launched a new policy, embodied in the Marshal's remark that a war between Britain and the US was more likely than one between Britain and Russia. From then on, Soviet policy was directed mainly toward disrupting the Anglo-American alliance—a policy which removed Molotov from effective control of foreign affairs.

The new team, however, was initially unable to implement the new policy, chiefly because of the fierceness of the internal Party struggle. Beria, in this matter as in others, strove to go farther than Malenkov, and his quarrel with the other Party and Army leaders about the extent of the retreat resulted in the bogging down of the first post-Stalin peace offensive.

The peace offensive could have been resumed, of course, after Beria's fall; it might even have been pushed in a more coherent and effective fashion with this source of strife removed. But Beria's elimination, as previously indicated, affected the top personnel controlling Soviet foreign policy. The redistribution of offices after June 26 was aimed at establishing a close balance between moderates and extremists. This was the perfect opening for Molotov's re-entrance. Control of foreign affairs naturally reverted to him, and he acted as might have been expected.

A Whiff of Cold War

As early as July, Soviet foreign policy showed a shift from serious political moves to mere propaganda. In East Germany, chief testing ground of the new elastic foreign policy, the line was sharply reversed after the uprising of June 17 which did so much to bring about Beria's downfall. Walter Ulbricht, the embodiment of intransigence, had to be brought back from the edge of oblivion to resume his position as unchallenged dictator of the East German Republic. The reaction spread to other fronts of Soviet foreign policy, including China, where Soviet Ambassador Vasily V. Kuznetsov was recalled and replaced by Dr. Pavel Yudin, hatchetman of the East German uprising.

The reversal culminated in Molotov's note of November 3, rejecting outright any four-power conference; and in the lavish Kremlin reception of November 7 at which he ostentatiously proved to the diplomatic world that he was again master in his own house.

If Western diplomats were puzzled by these seemingly contradictory moves, so obviously detrimental to the Soviet interest, their bafflement could be laid primarily to their ignorance of the intra-Party struggle which has so decisively influenced every sector of Soviet affairs. Foreign policy is in exactly the same position as agriculture. It would be a great mistake to believe that the long-delayed agreement to a four-power conference signified that Malenkov had taken charge of foreign policy. Here Molotov plays the same role as Khrushchev in domestic affairs.

The Kremlin changes hands: three phases

The Dictator

May Day, 1952: Stalin dominates the USSR—and the balcony of Lenin's tomb. He alone receives a childish accolade while Bulganin and Malenkov both stand aside.

Collective Bosses

May Day, 1953: Stalin is dead; his rival heirs share his power jealously. Malenkov and Beria take center spots on the balcony, but everyone gets a child and a bouquet.

Balance of Power

November, 1953: with Beria and the police eliminated, Red Army Marshals hold the balcony's right flank — and the balance between Malenkov and Khrushchev.

Every Soviet note now represents a compromise between the mutually incompatible views of the right and left wings. Acceptance of negotiations, whether on Germany and Austria or on President Eisenhower's proposal for an atomic energy pool, is merely formal. Molotov's basic attitude is everywhere apparent behind the thin screen of elasticity. It could not be otherwise, since the intra-Party balance of power has still not been substantially upset since last September.

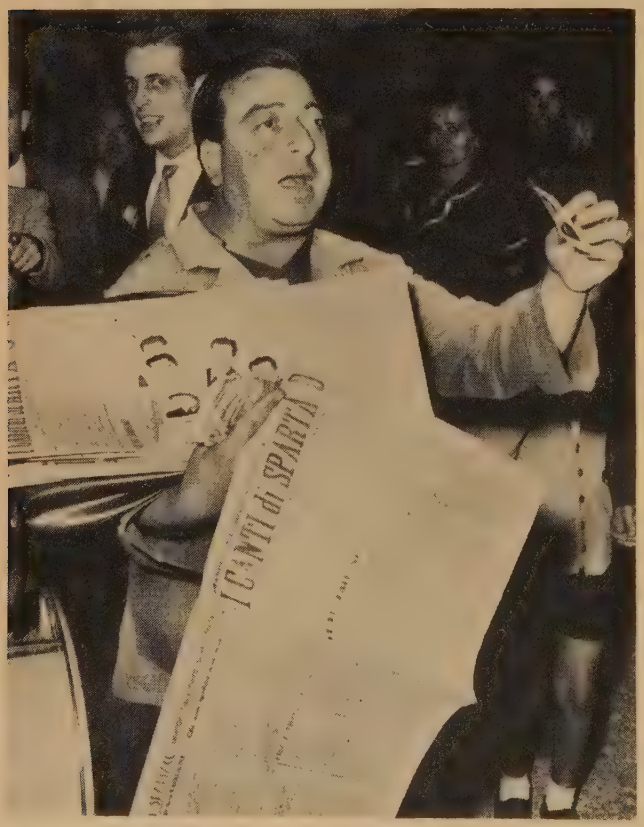
Who will win that struggle? In the long run, no doubt, the victors will be the new upper classes which, having risen through the Party, no longer need it and wish to rid themselves of this impediment to their own direct exercise of power.

What does this portend? As a transition, this new and forming leadership might welcome direct Army rule. An Army regime could mean peace; it could also mean an even more bellicose attitude on the part of the Soviet government. The test cannot come until Army rule is established.

In the short run, there is not even any certainty of Army rule. If and when a showdown comes between the right and left wings of the aspirants to power, it might well result in the temporary personal rule of Malenkov, or in the temporary joint rule of the Party and Army extremists. It would still not be old-style Stalinism, since the Army would remain the supreme arbiter; but it might resemble such a restoration. The advent of non-Party rule would then be delayed.

For the West, the crisis in the Kremlin means an indefinite period of waiting which may well try our tempers and our patience as a nation. But we can influence the ultimate decision only in a negative way: we must avoid the appearance of weakness, or of truculence. Either attitude would play into the hands of Soviet extremists. What is taking place in Russia today is one of those historic processes of change which the rest of the world can only watch from the side lines. By a policy of firmness combined with elasticity, of caution combined with readiness to act, we should try to make it clear to the various Soviet factions that they can have an international settlement whenever they want one. Such a realization in the Kremlin would discredit the extremists. In this—at the outset—limited objective lies the best hope for peace between the two great blocs of power which have split the world.

Red Miss, *18-year-old Maria Bellini, is winner of a nationwide beauty contest staged by Italy's Communist party. Her title: "Miss New Life," after Red illustrated weekly.*



Red salesman *hawks pictures of Party leader Palmiro Togliatti and popular Communist songs at monster rally to raise funds for paper* L'Unitá, *Italy's "Voice of Moscow."*

Post-Stalin communism reverses its field in Europe. It is rehearsing the new tactics in Italy with

OPERATION PICNIC

By GEORGE W. HERALD

WORLD's Chief European Correspondent

San Remo

Offhand, an amusement park on the Italian Riviera does not seem to have anything in common with the Big Four Conference in Berlin. It seems far-fetched to think of roller-coasters, ferris wheels and merry-go-rounds as being related to the sudden and surprising smiles of Vyacheslav M. Molotov as he faces his Western colleagues across the chilling problems of the cold war. Certainly, we did not expect to find ourselves on a political proving ground when, one evening after dinner in San Remo, we followed the sound of honky-tonk music to a little carnival down near the harbor.

It was a gay and carefree place. Lively girls and their grinning boy friends crowded the Wheel of Fortune stands; peasants from the hills and fishermen from the Riviera villages washed down spaghetti with raw red wine as they watched the pleasures of the young with wise old eyes. Italy was advancing toward her most serious political crisis in six years; but here there was laughter, and brief forgetfulness. Or so it seemed—until we saw the posters.

They were everywhere, on every little stand, announcing their message alongside the advertisements of the two-headed baby and the Egyptian belly-dancers imported straight from the palaces of King Farouk—invitations and urgings to join the Communist party. And among the barkers we also detected, here and there, Communist orators exhorting the crowd, mingling their political come-on with the call to have fun. It was a type of infiltration we had never seen before, and we asked our escort, a San Remo newspaperman, why his town tolerated these Trojan-horse tactics.

"What would you expect us to do about it?" he replied. "Isn't it preferable to have the Communists organizing carnivals rather than riots?"

Red squire *strides proudly beside his master, a knight from Siena, in a medieval pageant staged in Togliatti's honor in Rome. Festivities like this, ranging from small village carnivals to monster rallies, are giving the Communist party the new look which has attracted thousands of new members, moderates who were once repelled by Red violence.*

"... social justice—and lots of fun."

"Do you mean the Communists are sponsoring this carnival?" we asked.

"Of course," he said, "It's going on all over Italy. In Rome they're already calling it 'Operation Picnic'."

As we soon found out, he was right. The CP in Italy had cast off its old blood-and-thunder trappings and donned the costume of a harlequin. From San Remo to Genoa, Milan, Turin, Florence and down to Rome, the Communists were entertaining the people.

In countless communities, Party leaders were catering to the masses' age-old hankering for *panem et circenses,* and doing a roaring business. Any pretext was good enough to set up a dance, a fair, a picnic or a children's festival with plenty of free ice cream and toy balloons. The Party was even staging give-away shows in the American manner, with movie stars to distribute the prizes. Last summer, Communist vacation camps were installed in choice locations along the Ligurian and Adriatic coasts, open to the working-class public for a pittance.

Unquestionably, the Soviet's new look which was being displayed not only to Westerners in Berlin but also to Russians in their homeland, was on exhibition here in Italy too. Italians were being made the testing ground for a new Communist strategy of winning the people with fun and games rather than the deadly serious business of political wars. If the strategy works, it will be applied elsewhere and may ultimately lead to the bloodless reconquest of the ground which communism has lost in Western Europe in the last six years. And here in Italy, with the arrival in Rome of Ambassador Alexander E. Bogomolov—one of Moscow's shrewdest and most adaptable emissaries—the operation is likely to enter a new, perhaps decisive, phase.

THE brains behind the merrymaking is Signor Giancarlo Pajetta, a lean, gaunt-faced Party veteran who seldom smiles. As chief of propaganda, he hates to bore people with ponderous Marxist doctrines. "All we have to do to win friends," he recently told a Politburo meeting, "is to show that we are with the workers in their struggle for social justice, and give them lots of fun in their spare time."

In this spirit, Pajetta directs a Party press of more than sixty daily papers and a number of periodicals such as the illustrated weekly, *Vie Nuove,* and the women's magazine, *Noi Donne.* A handsome product, *We Women* carries the same kind of fashion features and romantic fiction as its American counterparts. It even runs a lovelorn column for Marxist Romeos and Juliets, in which the Party's message is subtly hidden in the advice on how to find a better life.

When I looked up Signor Pajetta in his Milan headquarters—a government building the Party has occupied since the war—he received me with the compassion an early Christian might have shown toward a misguided Roman imperialist.

"You Americans don't understand us," he said. "We want to cooperate with all men of good will in creating a better life for the Italian people."

"Even with the Christian Democrats?" I inquired.

"Certainly," he said. "If they'd only stop their silly anti-communism, we could get along fine."

"Then what would happen to NATO?" I asked him.

"Always thinking of war, aren't you?" he chided me. "We oppose NATO to the extent that it is a tool of aggression. We are against violence. We want to live in peace with everybody."

Judging by his words and manner, Signor Pajetta, who used to egg his comrades into fistfights in Parliament, would not dream of hurting a fly. There couldn't have been a more courteous and reasonable spokesman for the Party's views, with the possible exception of his boss, Palmiro Togliatti.

For it is Togliatti who, with "Operation Picnic," has finally come into his own. Even before Stalin's death, he set the stage for the soft-soap opera the Communists are now acting out in Italy. As Moscow's No. 1 man in the West, he launched the "peace offensive" of '51-'52 that gave the world Picasso's dove, if nothing else in the way of peace. Since then, Togliatti has never raised his voice in anger. In a country whose people are famous for their low boiling point, he remains calm and dignified, whatever the circumstances. When he rises in the Chamber and begins mellifluously: "Mr. President and Honorable Colleagues," even his foes listen entranced as pearls of wisdom and moderation fall sweetly from his lips.

Dapper in dress, never without a carnation in the lapel of his double-breasted navy-blue suit, Togliatti looks more like a corporation lawyer than a Red agitator. During last year's election campaign, thousands of walls were adorned with posters showing him benignly leading his adopted daughter down a garden path. He was such an epitome of serenity that some jokers suggested Italy use the posters for tourist propaganda, with the inscription: "Come to Sunny Italy, the Land of Carefree Laughter."

At this very time the Christian Democrats were running an Iron Curtain horror show in Rome's railway stations to warn citizens of the fate in store for them if they voted Communist. In Bologna, they even erected gallows in the market square to point up the moral. Signor Togliatti simply laughed off their efforts. He gave strict orders to his campaigners not to threaten or frighten the electorate by explosive speeches. "Always try to agree with everyone," he decreed. "The broadest tolerance and understanding is to be shown."

These directives were carried out by one of the most efficient party organizations Europe has ever

Skeptical worker *gets a come-on from a colleague in North Italian industrial plant. This area has traditionally been a Communist stronghold, but lately the Party has gained thousands of converts among farmers in the South.*

seen. Amply financed from the coffers of Communist firms in Rome and Milan who trade with Iron Curtain countries, the CP since 1948 has been able to train a cadre of 15,000 leaders in special schools established for that purpose. These efficient organizers have jumped the number of Communist groups in factories and villages from 63,637 to 139,781 within five years.

The Red disciples descended like a swarm of bees on the remotest mountain hamlet or fishing village. Everywhere they proclaimed that a good Communist could be a good Catholic; in fact, they asked, could anyone be a really good Catholic without also being a Communist? The Party had no objections to its followers going to Mass and confession, getting married in Church and having their children baptized by a priest. Don Camillo, after all, was a splendid fellow, perhaps a little odd at times, but always in there pitching for the poor, like Communist Mayor Peppone.

As a result of this propaganda drive, which none of the other parties was able to match financially, the Italian CP made inroads into social strata it had never reached before. To the numbers of northern industrial workers who had always made up the hard core of its following, it was able to add 750,000 converts among the southern farmers. Hundreds of thousands of lower-middle-class church-going Catholics were seduced by Togliatti's seraphic approach or by the *alternativa democratica* of fellow-traveler Pietro Nenni. Thus 35 per cent of the electorate voted either for the CP or the Nenni group; their combined vote went up from 8.1 million in 1948 to 9.5 million in 1953.

FURTHERMORE, "Operation Picnic" has had an impact on many more people than voted the left-wing tickets. Its success has spread apprehension in Christian Democratic ranks. Some have begun to waver in their opposition to communism, feeling that their party cannot risk another electoral test until it has reached

a compromise with—at the very least—Nenni's forces.

Backed by certain members of the High Clergy such as Monsignor Montini, one of the Pope's private secretaries, these factions have sought contact with Nenni's representatives. In the face of persistent social problems—six million people still living in caves or cellars; four million too poor to buy meat even once a year; one million families trying to manage on a $40-a-month budget; farmhands subsisting on $170 per year—these left-wing Christian Democrats are prepared to carry out most of the reforms urged by Nenni and Togliatti. They no longer regard the extreme left-wingers as dangerous; they have become "people with whom one can reason." (See "Inside Story," page 38.)

This view is strongly opposed by the most conservative members of De Gasperi's party as well as the right-wing Monarchists and Fascists. In the opinion of these groups there is only one way of dealing with the new Soviet strategy in Italy: inflexible resistance.

"Look what happened in the South," one Christian Democrat deputy told me. "Despite the land reform the CP gained 32 per cent more votes than in 1948. Peasants who had been given new homesteads voted Communist just the same. Isn't that the height of ingratitude? What we need is a man like Salazar."

This particular deputy seemed to be dreaming of a sort of semi-fascist state supported by the Church, and there is undoubtedly a strong minority in Italy who would favor such a regime. What they overlook is that Italy is not Portugal. She has had a highly intelligent and well-organized working class for eighty years. More than seventeen million Italians voted against the Right in 1953, including some five million Christian Democrats. Any new attempt to establish an authoritarian regime would result in civil war.

Given these conditions, Western observers agree that social reforms are imperative and must be stepped up. The government, whether of Left, Center or Right, must build more houses, curb the cartels, enforce labor contracts, construct new highways, railroads and waterworks and push the irrigation and reforestation of the southern provinces. It wasn't ingratitude that led the farmers there to vote Communist; it was the fact that land reform did not solve their problems. It will take years to bring the neglected soil of Apulia, Campania and Calabria back to life; meanwhile the peasants are easy prey for Communist spellbinders.

THERE seems to be no reason, however, why "Operation Picnic" should weaken the moral fiber of the Christian Democrats. If the majority of Italians are for social justice, the majority also want to stay with the West. The one certainly does not exclude the other. Why then, ask Italy's friends, appease the Communists? Why allow them to conduct their "brotherly-love" campaign in newspapers printed on government-owned presses? Why let them keep their headquarters in government-owned buildings? Why not expose their tactics over the national radio and show that they embrace their victims only the better to devour them?

Obviously there is no time to be lost. Right after the big June gains, CP statisticians analyzed the election results in every single district. They immediately started a membership drive among those who might have voted for the Party. Festivals, exhibitions and country fairs were organized in strategic areas. Each sector was given a norm that had to be fulfilled in a stated period. As a result, 180,295 members have been recruited in the past seven months, and the figure is steadily growing.

United States Ambassador Mrs. Clare Luce revealed the extent of the danger should "Operation Picnic" be as successful as its sponsors hope. "If Italy went Communist," she said the other day in Rome, "France also would go, and other countries would probably follow. Malenkov would win without a war."

***Newsgirls parade** in Rome fund-raising rally. Their newspaper aprons advertise their employer: official Party organ* Unitá.

American Power vs. Soviet Power in 1960

At the beginning of 1954, as the cold war slackens into an endurance contest, the Western world and the Communist bloc might best be described as two rival power transmission systems. Despite the size and importance of such individual components as Britain or China, each international power system depends on a gigantic central dynamo: the Communist circuit is maintained by the economy of Soviet Russia, the West by that of the United States. Thus, it is only by comparing the potential production of the two giants that we can gauge our chances for survival, either in the long run of history or in the terrifying short run of atomic war.

This economic basis of international power was publicly stressed by Josef Stalin in 1946 when he set staggering new goals for industrial output. Not until 1960, Stalin warned, when three more Five-Year Plans would have achieved these goals, would Russia "be guaranteed against all accidents."

The United States, too, has acknowledged in deeds this crucial relationship between economic and world power. The stupendous doubling of American output since 1929 was caused primarily by the need to bring maximum American power to bear in war—both hot and cold.

Both these overwhelming drives, one the calculated will of a dictator, the other the government-stimulated response of a free economy, have suddenly and simultaneously reached a crossroads. The uneasy new men in the Kremlin are faced with a yawning gap in food supply; they are moving toward a pause in industrial build-up, perhaps toward a new kind of economic strength based on the contented consumer. In the US there is widespread talk of recession, retrenchment. The new administration seems convinced that the US has reached a plateau of relative security, that we can count on keeping a safe lead over the Soviet bloc without further unorthodox and "reckless" economic effort.

As these significant shifts in policy are undertaken in Washington and Moscow, just how formidable and how sturdy is each of these giant economies? And how, if these policies take hold, will the giants measure up to each other in 1960, the year selected by Stalin for a reckoning?

To answer what may be the decisive question of the world's future, WORLD has called upon two outstanding experts for two definitive studies. In the first, Edward Crankshaw, one of Britain's foremost analysts of Soviet Russia, evaluates the Soviet economy today, and its chances of matching the West in six years. In the second article, Leon H. Keyserling, former Chairman of the President's Council of Economic Advisers, blocks out his projection of the American economic power which will confront Soviet Russia in 1960—Stalin's deadline.

Soviet Power in 1960

By Edward Crankshaw

THE Soviet Union launched its single-minded assault on the unity and strength of the free world with its rejection of the Marshall Plan in the late summer of 1947. But it was in 1946 that Marshal Stalin described the underlying struggle of national power that the United States and Russia were to wage. Looking ahead fifteen years, he told his people:

"We must achieve a situation whereby our industry is able to produce each year up to 50 million tons of pig iron, up to 60 million tons of steel, up to 500 million tons of coal, and up to 60 million tons of oil. Only under such conditions can we regard our country as guaranteed against all accidents. This, I think, will require at least three new Five-Year Plans, if not more."

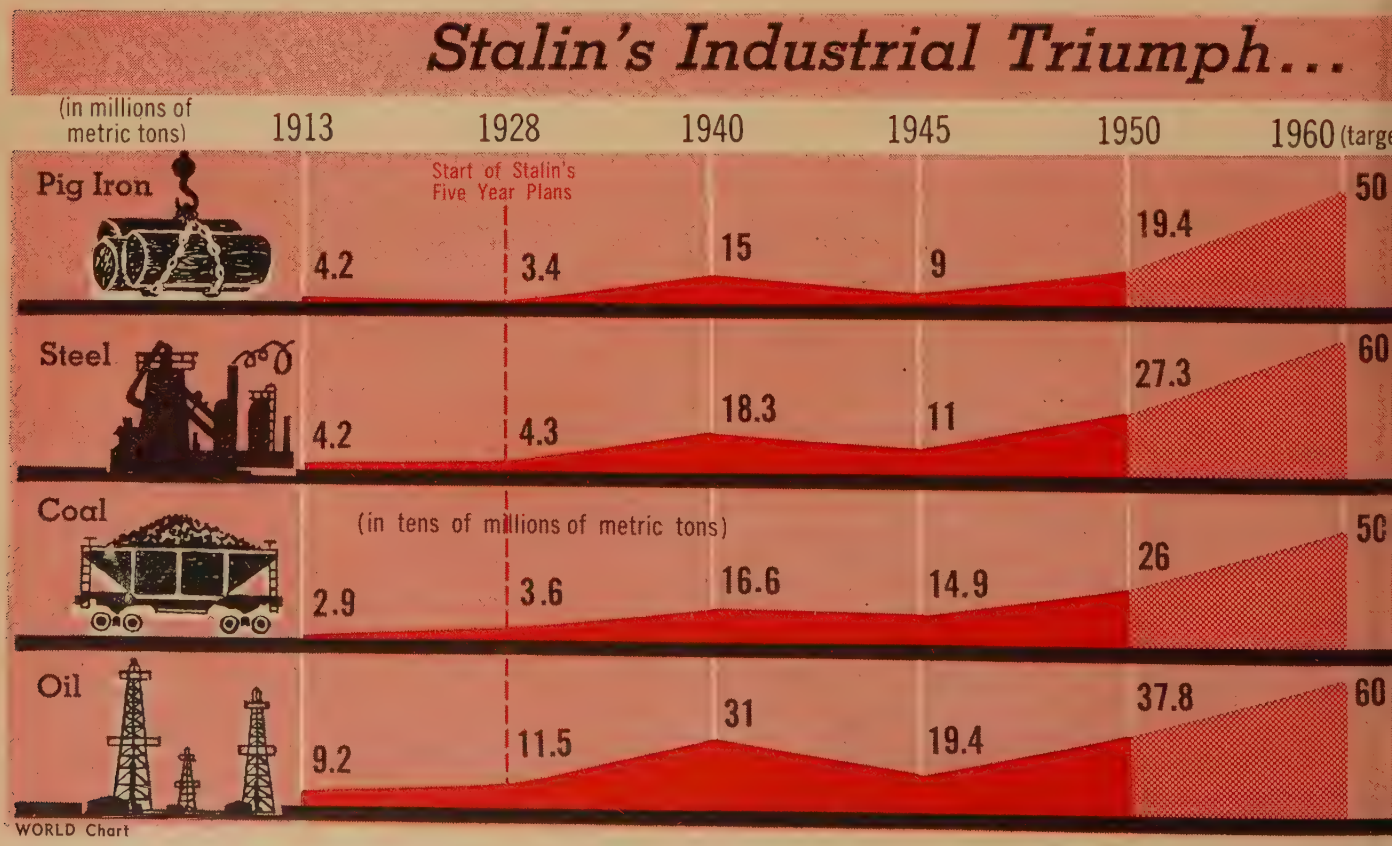
In this historic challenge to the West, Stalin linked the economic development of the Soviet Union specifically with its relative strength vis-à-vis the non-Communist world, choosing 1960 as the date when Russia's sheer weight of material would allow the country to crush its enemies in total war.

Today, nine years later, it is clear that Stalin's hopes for security against "accidents" by 1960 were dramatically out of line; the Soviet Premier was whistling in the dark. Despite a ruthless drive to develop heavy industry—or perhaps because of it—Russia today has fallen even farther behind American productivity than she was in 1946, while the year 1960 and beyond holds out no better prospects to the Kremlin.

To understand why this is so requires a backward look at the Russian economy: its productive level in 1913, the last year of peace before the Revolution; in 1928, on the eve of the first Five-Year Plan; in 1940, before Hitler's invasion of the Soviet Union; in 1945, when Russia emerged from her great trial victorious, but with her economy shattered; and in 1950, the closing year of the Five-Year Plan for rehabilitation.

The first chart reveals the bare bones of the great industrial revolution that was Stalin's supreme achievement. Although the Russian industrial revolution took its first faltering steps in the last years of the Tsars, this growth was annihilated by war, revolution, civil war, famine, and chaos. Eleven years after Lenin's seizure of power, the country had recovered and set out again on the road to modernization.

The general level of life in 1928 was probably higher than it had been before the Revolution and certainly



Edward Crankshaw, *British author and critic, formerly on the staff of the* New Statesman and Nation, *has been the Russian and Eastern European expert of the* London Observer *since 1947. He spent the war years 1941-43 in Moscow as a member of the British Military Mission to Russia, and returned there in 1947 for the Foreign Ministers Conference.*

Among his books are Russia and the Russians, Russia and Britain, Russia by Daylight, *and* Cracks in the Kremlin Wall. *At the present time Mr. Crankshaw is working on a new book.*

higher than it has ever been since. There was more to eat, more to buy in the shops, and life for the millions was beginning to show some color. The Soviet Union was progressing gradually in the direction long taken by the great societies of the West. The interests of the consumer—the man in the street—were not neglected in the drive for capital expansion. All had an immediate share in the national wealth.

This balanced and spontaneous economic development was rudely interrupted by Stalin. He thought it far too slow. In 1928 he brought out the first Five-Year Plan with its overwhelming emphasis on producer goods and capital expansion—that is, on heavy industry. The consumer was told to tighten his belt and work hard to make machines to make machines. Present sacrifices would be rewarded by future joys.

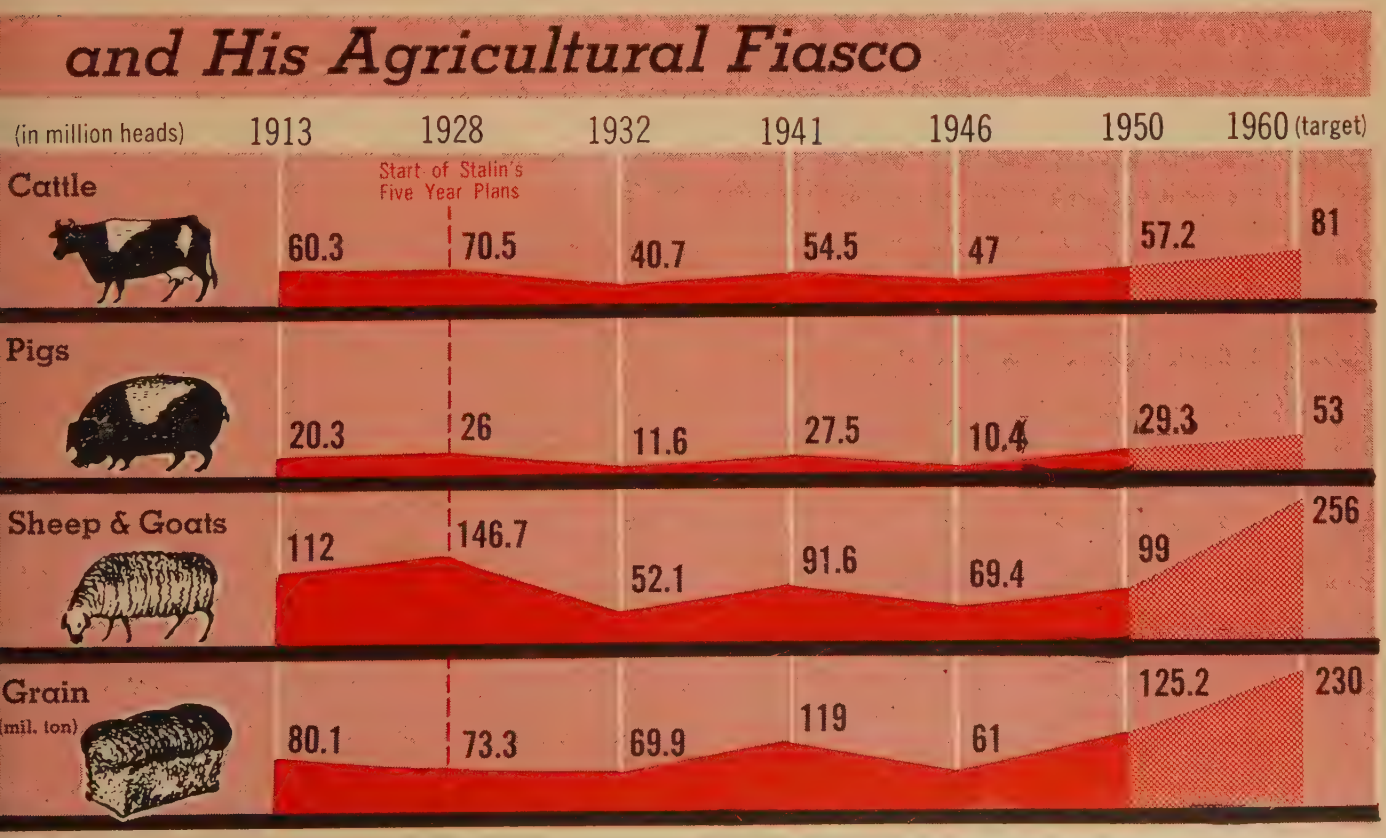
Stalin's program had startling effects. By 1940, after two Five-Year Plans and two years of the third (which was interrupted by the war in 1941), the whole basis of the economy had been transformed and Soviet leaders were voicing wildly optimistic predictions.

It is important to realize how sharply the triumphant figures for industrial expansion were offset by the decline in food and consumer goods (shown in chart below). The industrial revolution had been accompanied by a depression of living standards possible only under a rigid dictatorship. At the same time, the enforced collectivization of agriculture, which resulted in an undeclared civil war between the government and the peasantry, had played havoc with food production.

In 1913 Russia was a grain exporting country. The Revolution put an end to that, but by 1928 she had recovered sufficiently to feed her people as well as they had been fed before the war. The problem Stalin faced in 1928 was how to make a reduced peasantry produce enough grain and other foodstuffs to feed the mushrooming towns created by industrialization.

Collectivization was to be the answer. Rather than succumb to it, the peasants slaughtered their livestock and burned their crops. A famine resulted in 1931, and the Soviet Union found itself with less than half the livestock it had in 1928. Agriculture has not yet recovered from the catastrophe of collectivization.

The output of consumer goods as well as food was drastically slashed to make possible the great Soviet advance in heavy industry. In 1950, at the end of the



first postwar Plan, Soviet officials claimed that industrial output as a whole had increased by 73 per cent over 1940. The increase in light industrial production in the same period (textiles, clothing, footwear, utensils of all kinds) was only 17 per cent.

This disparity is all the more striking because industry as a whole greatly exceeded its target (48 per cent increase) while light industry fell below its target of 23 per cent. The Plan, heavily weighted to begin with in favor of capital expansion and producer goods, was distorted to increase this weight. The result was to reduce still further an already modest effort to raise the standard of living from the terribly low level—indeed the starvation level—of the war years.

When Stalin died, the USSR was embarking on the third year of the second postwar Plan, details of which were not announced until the eve of the Nineteenth Party Congress in October 1952. This Plan represents quite clearly a continuation of the program laid down by Stalin publicly in 1946, calling for the expansion of heavy industry without regard to the sufferings of the people. The program's 1960 targets mark a great increase when compared with production in the immediate postwar period. They seem modest, however, when measured against production in Western countries with comparatively small populations.

They also mark a decline in optimism when compared with earlier forecasts made by Stalin, Molotov, and the leading Soviet economists. At the Eighteenth Party Congress in 1939, when Stalin had finally consolidated his power, both he and Molotov talked about production goals that were to exceed the per capita production of the United States at its then highest point, the pre-slump year of 1929.

Molotov said that this would take ten or fifteen years. And a distinguished Soviet economist wrote in 1940 that in practice this would call for 70-80 million tons of steel, 750 million tons of coal, 150 million tons of oil.

In the interval the Soviet targets have been lowered, while American productivity has gone up in a way that the Kremlin, obsessed with the notion of capitalist decay, cannot conceivably have foreseen. When he announced his reduced projections in 1946, Stalin confined himself to absolute totals and did not indulge in his usual practice of lashing the people for their low per capita output. The disparity between the productivity of the Soviet Union and the US had become so great that Soviet economists no longer dared draw public comparisons. And this, of course, was before the astounding impetus given American production by the recent rearmament drive.

The Soviet Union has a long road to travel before it equals America's per capita production in 1948, and still farther to go before it matches present per capita production. It is true that, at the rate of development obtaining at the time of Stalin's death, the 1960 targets for heavy industry were likely to be exceeded—provided the pressure on the Soviet people could be maintained. (In the case of oil, the target will be dramatically exceeded, because of the astonishing development of the Volga-Ural oil fields, which have raised the known oil reserves of the USSR from one billion tons to 4.5 billion tons.) But Soviet leaders were beginning to realize at the time of Stalin's death that these targets had lost all meaning in relation to booming US production and that their attainment would entail suffering and possible revolt.

Even when Stalin was alive, some observers (myself among them) doubted whether the Soviet government would long be able to force the people to make the tremendous sacrifices called for by these Plans. What was a doubt while Stalin lived—despite his genius for tyranny—became a certainty when he died. His successors, even if they worked in harmony, could never drive the Soviet people as ruthlessly as Stalin had. The question was whether they would try to do this (and fail) or seek to get the people on their side by promising to make their lives a little easier.

The first choice meant the collapse of the Plan through the passive resistance of a people who might be cowed by Stalin but would not brook Stalin's brutality at the hands of lesser figures. The second meant modification of the Plan at the expense of its *raison d'être,* the rapid development of heavy industry.

Thus, what confronted Malenkov when he became Premier was a country straining its economy to the limit for a single purpose: to make itself invulnerable to outside attack by 1960. The immediate health and happiness of the people were still being sacrificed to that end. Yet to achieve it was impossible, barring an economic catastrophe in the United States. Hence Soviet economists went on whistling in the dark by insisting that an American depression was inevitable.

Malenkov knew, of course, that the continued diversion of a big proportion of production to the armed forces and the sinews of war had made the Soviet Union the strongest military power in the world. Certainly in a short and limited war he could get his way in Europe. But Russia was simply not equipped—nor, even by fulfilling Stalin's targets, would she be equipped in 1960—for an all-out war with the US.

Malenkov and Khrushchev took immediate steps to change this situation of a great country overstraining itself to achieve a meaningless goal. For the first time since 1928, serious attention is being paid to the needs of the consumer. Officially, the Soviet Union is still working on the Plan, but the new drive for consumer goods and food production is distorting it out of all recognition. Actual modifications, such as increases in light industry and agriculture, have not been announced, but the original Plan called on every possible resource of the economy, and these later modifications could only be made at the expense of heavy industry.

The emphasis in this new deal is on food produc-

tion—above all, meat and animal products. The disastrous state of Soviet agriculture was officially acknowledged for the first time in Khrushchev's address to the Central Committee of the Communist party. To remedy this situation, he said, the agricultural policy of the postwar years is to be completely reversed. But the really striking thing about Khrushchev's speech and the new regulations is that, when all the shouting is over, the peasants are merely being asked to fulfill the existing Five-Year Plan.

The careless listener would assume that the new government has decided to raise food production to a peak above past dreams. All it is doing in fact is throwing Stalin's policies out the window in a desperate attempt to actually achieve what had been planned. This would save the principle of collectivization—and thus the foundations of the regime—from destruction.

At the same time, the new government is making a great drive for more and better consumer goods. It has announced that certain aspects of production of these goods are to have priority over heavy industry. The need for more consumer goods is closely bound up with the fight to save Soviet agriculture. It is no good giving the peasants more money if there is nothing to buy. It is too soon to tell whether this expansion—as in agriculture—is anything more than what is required by the current Plan.

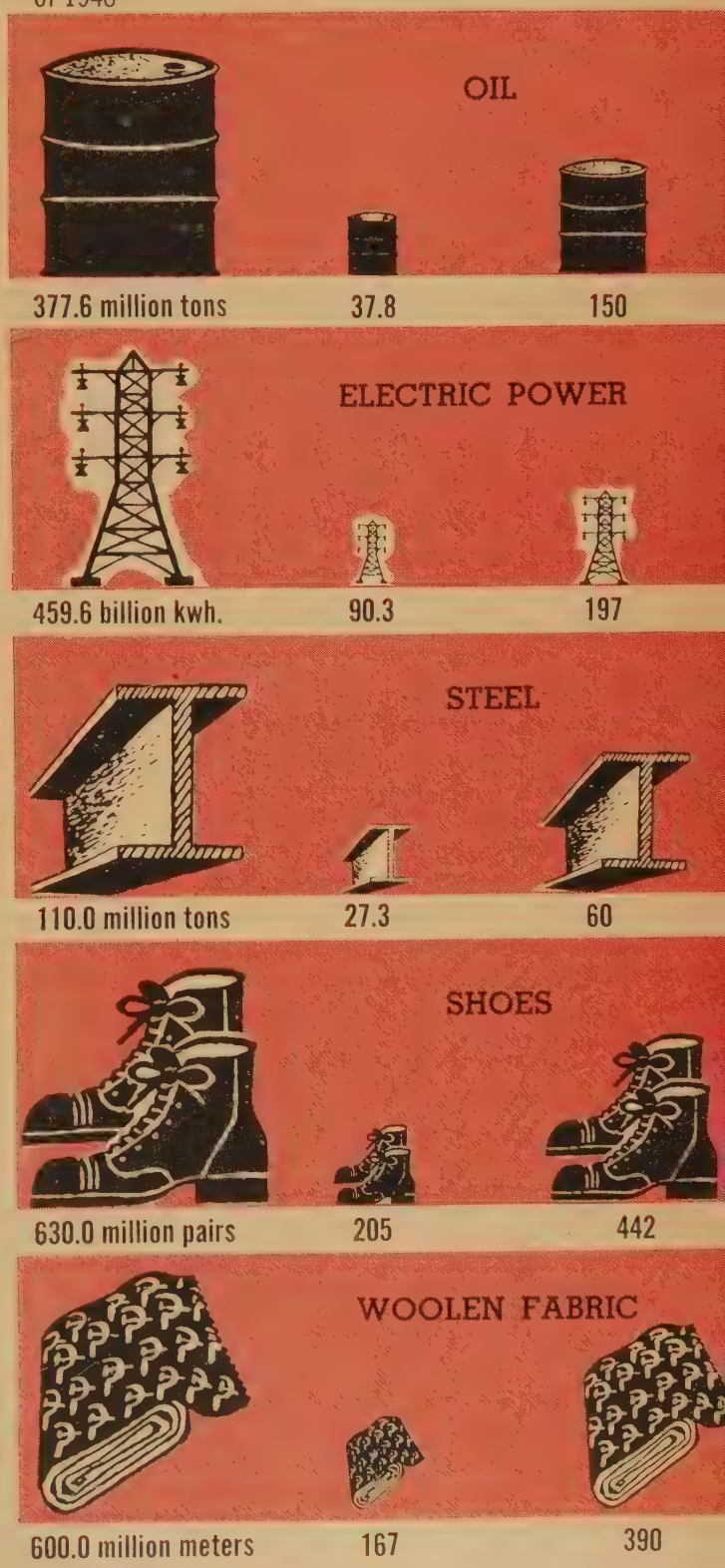
Despite the new deal, therefore, Stalin's targets for 1960 and the general basis of the present Five-Year Plan remain more or less intact. The most that can be said at the moment is that the new Soviet leaders are making immense sacrifices of principle and some sacrifices of heavy industry development to conciliate the peasants and thus assure food for the towns.

It should also be remembered that the Soviet Union can no longer afford to think only of itself. It may leave the East European satellites to look after themselves, but the signs are increasing that the demands made by China on the Soviet economy are a very serious strain. Stalin, it is certain, made no allowances for this when he peered into the future in 1946.

The Malenkov government may also feel that Stalin's drive to increase heavy industry and build a tremendous war potential at all costs is now less urgent because the Kremlin possesses the hydrogen bomb. The United States used to think of the bomb as a shield and as an absolute deterrent to war. It is possible that the Kremlin has also begun to think of it in this way.

At any rate, it seems probable that Malenkov and his friends have decided not to exceed the 1960 targets for heavy industry (except in oil) despite American productivity advances. They may not even bother to reach them. Their main preoccupation is, and must be, to establish a stable and more contented Soviet Union capable of great advances in the decades to come. It is perfectly clear that by 1960 the Kremlin will be in no position to challenge the United States to a final showdown based on massive economic strength.

Soviet Dream and Reality



WORLD Chart

American Power in 1960

By Leon H. Keyserling

Leon H. Keyserling, *now a consulting economist and attorney, was Chairman of the President's Council of Economic Advisers from 1950 to 1953. While he was Chai man of the Council (in June of 1950) he made his prediction that US output would rise to $310-20 billion by 1955. At that time the economy was operating at an annual rate of $269 billion and Keyserling was criticized for being much too optimistic.*

If his prediction for 1955 is translated into 1952 prices it equals $347-58 billion. The economy achieved an output of $367 billion in 1953 measured in 1952 prices.

In the preceding pages, Mr. Edward Crankshaw authoritatively weighs Soviet economic power—past, present and potential. He cites figures showing some impressive increases, particularly in the elements that can build and feed a war machine; and he indicates that there will be further increases by 1960. Against these gains the author persuasively offsets these very large liabilities: that the processes of tyranny have robbed the country of some of its ablest leadership, depressed the spirit of the people by forced labor and low living standards, and erected a monstrous system of inequality and special privilege in the name of "socialism." The net conclusion he suggests is that the Soviet Union cannot by 1960 marshal enough economic strength to compare favorably with that of the United States or to challenge the free world successfully in an all-out contest.

All this is reassuring, but it is not enough. In the first place, modern warfare increasingly depends not only upon total economic strength but also upon what portion of this strength can be devoted quickly to striking purposes. With respect to striking power (allowing for the advantage which atomic developments give the aggressor), and perhaps even with respect to total economic strength, a respectable case can be made that the USSR and its satellites might by 1960 be stronger in comparison with the whole free world—and not only in comparison with the US—than Germany and Japan were just before World War II, which they came perilously close to winning.

Second, the question is not so much whether Russia would be able to "win" a general war by 1960 as it is whether she would be relatively strong enough to risk starting one, which is quite another matter.

Third, while 1960 is a convenient cut-off date for statistical projections, our thinking cannot stop there. If current trends continue, what will Soviet Russia's relative strength be by 1965—a period no farther away from the end of World War II than the start of that war was from the end of World War I?

Fourth, and maybe most important, the contest between the slave and the free states does not reside solely in preparing for Armageddon. Either side may gain clear ascendency without a total war, depending upon which first wins and holds the greater allegiance in the minds and hearts of people all over the world. This turns upon economic, social and political developments almost everywhere, quite as much as upon purely military trends or upon capacity to fight wars.

For these reasons and others, if we in America are to help guard the future of civilization, we cannot be complacent merely because statistical comparisons show that we now have the lead over the Soviets in some or many respects, or even show that we may continue to retain this lead by a precarious margin. The worldwide tasks confronting us—economic, political, and moral—are so stupendous that nothing less than the best we can do should satisfy us. And if we do our best, our endowments are ample to enlarge vastly such superiority as we now possess. This will be the safest road toward genuine peace, and not just toward "winning" a war if it should come.

To this end, the United States should of course strive to maximize its economic strength by a constantly expanding total national output. Economic strength underpins other strength. But we cannot rely upon this alone. A fat and soft "prosperity" would be dangerous indeed. We must be sure to dedicate a sufficient portion of our resources to the maintenance of free world security against aggression. Nor can we afford, while lifting our own production and our standards of living, to view with complacency an ever-growing gap between luxurious plenty in the United States and a bare or miserable level of subsistence in other important parts of the free world. Unless we are prepared to place a worthy sacrifice upon the altar of world freedom, we may find ourselves estranged from our friends and even find our own freedom imperiled in the long run.

Hence there is need to develop among the whole American people full realization of the fact that our

economy can afford our fair share of the cost of peace; and we must be willing to pay that cost. And while the tasks we must assume in future will vary in composition and tempo from those assumed since the outbreak of the Korean War as world conditions change, our experience since then makes this much clear: no program to strengthen the free world, proposed by responsible persons entrusted with authority, is so great that our economy cannot take it in its stride.

Our Long-Range Growth Capacity

Our future growth potential should be viewed in the perspective of economic progress in the US between 1929—the last year of full prosperity before World War II—and 1954. It is important to note that most of this progress has been made in the shorter time span since 1939; the decade 1929-39 was characterized, first, by the greatest depression on record and, second, by a sizable but incomplete return to full employment. In 1939, total national output was not very much higher than in 1929, despite the growth in population and technology.

Measured in uniform 1952 prices, our total annual output in 1929 was about $172 billion; by 1953 total output had risen to about $367 billion. Industrial production more than doubled, and agricultural output rose about 50 per cent. Civilian jobs increased from fewer than 48 million to about 62 million. While the work week dropped from about 48 to 40 hours, each worker turned out on the average more than 80 per cent more goods and services.

The productive base of the economy has been enormously expanded. For example, in 1953 we spent about two and one-half times as much for machines and other durable equipment on farms and in factories as in 1929, measured in uniform 1952 prices. Vast public development of our resources further enlarged the production base.

Living standards have improved enormously. Measured in uniform 1952 prices, average annual income after taxes was a little more than $1000 per capita in 1929, while in 1953 the average was well above $1500. This improvement has had many ramifications. The number of automobiles in use has almost doubled; the percentage of homes equipped with mechanical refrigerators has increased more than eight times, and the number with radios more than doubled. About 90 per cent of all farms are now electrified, compared with about 10 per cent in 1929. Real per capita farm income has increased by close to 80 per cent. Expenditures for education and health have nearly doubled in constant dollars. The distribution and enjoyment of national income have been very significantly broadened.

We have made this progress since 1929 despite a staggering depression, and despite the terrifically nonproductive and economically wasteful (although essential for other reasons) strains imposed by World War II and by the rapid build-up of defense outlays since the middle of 1950. It follows that we have the economic potential for great further progress in the years immediately ahead, provided we avoid depression, maintain a fully employed economy and remain free from the strain of total war.

If we exert ourselves sufficiently and in time to prevent substantial recessionary trends, we have the science and technology, the brains and skills, the plant and equipment, and the growing labor force to lift our total national product from the 1953 rate of about $367 billion to an annual rate of some $500 billion by the end of 1960—measured in dollars of uniform value.*

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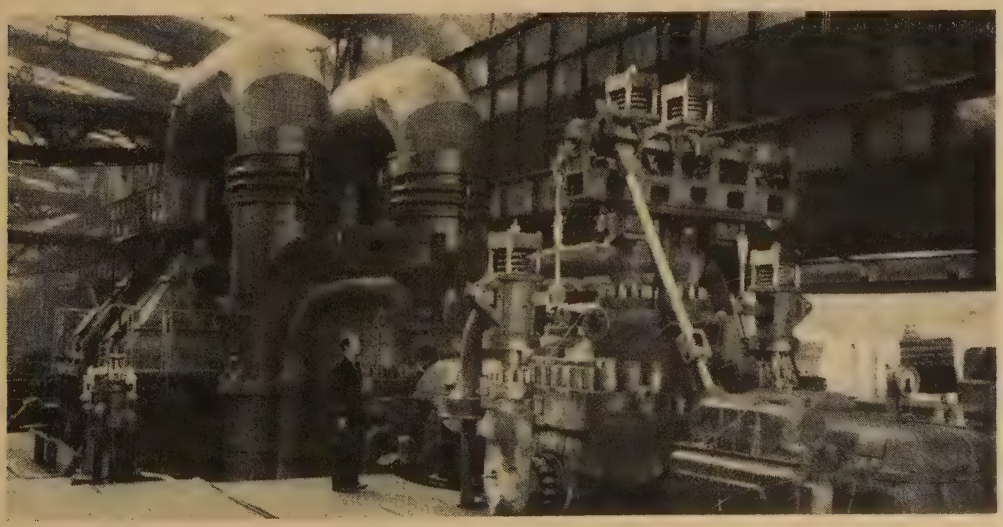
*This estimate of our growth potential involves an annual growth rate slightly in excess of 4 per cent compounded, to lift our total national output from an annual rate of approximately $375 billion at "full employment" in the middle of 1953 to an annual rate of approximately $500 billion at "full employment" by the end of 1960. This is very much lower than the annual growth rate of almost 7 per cent compounded in the years of extraordinary effort from the middle of 1950 to the middle of 1953, and somewhat less than the annual growth rate of about 4.5 per cent compounded from the middle of 1946 to the middle of 1953. In early 1950, when our total national output was at an annual rate of $269 billion in 1949 prices, I made an estimate of $310-20 billion by 1955 in 1949 prices. This would translate into a 1955 estimate of $347-58 billion in 1952 prices. Actually, output was $367 billion in 1953, in 1952 prices.



Large proportion of Soviet resources devoted to war production should make Americans less complacent about their industrial superiority. This 500-ton steam turbine being tested by Russian engineer is euphemistically called the "Peace Turbine" by Leningrad workers who built it.

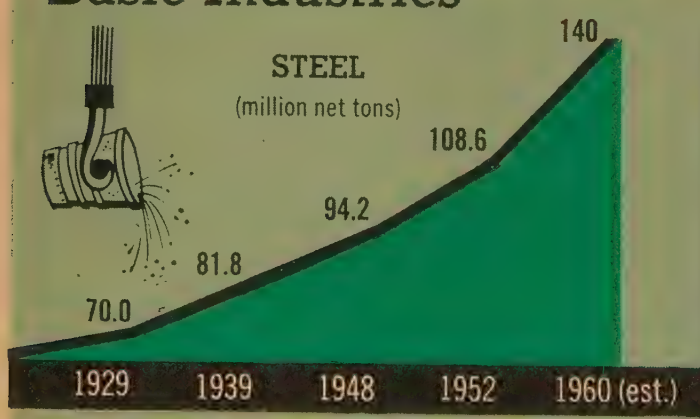
THE RECORD OF AMERICA

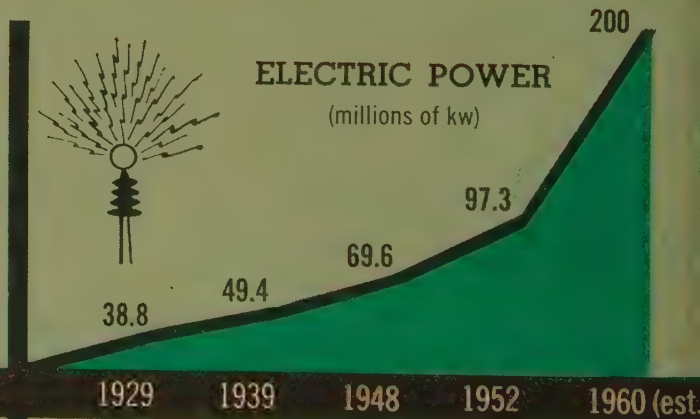
Vital Statistics

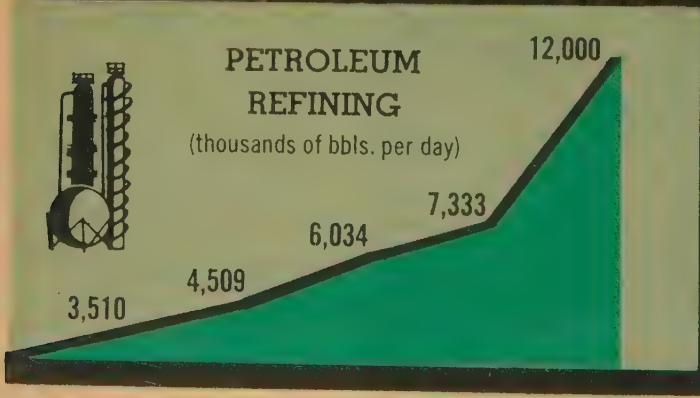
	1929	1939	1948	1952	1960 (est.)
EMPLOYMENT (millions)	48	46	59	61	70
PRODUCTIVITY* (1929=100)	100	127	158	177	220
INDUSTRIAL PRODUCTION (1935-9=100)	110	109	192	219	315
AGRICULTURAL PRODUCTION (1935-9=100)	97	106	138	144	175

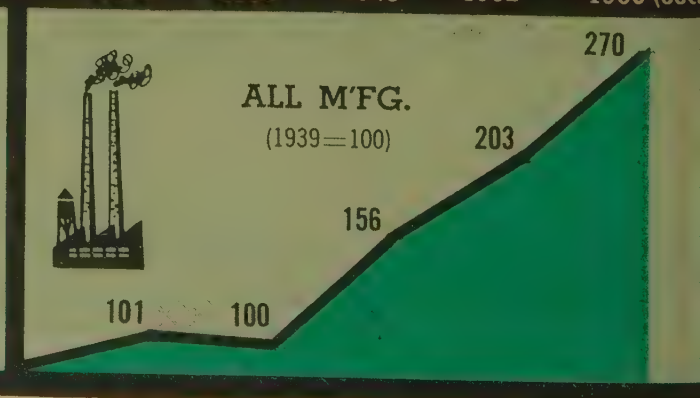
*Gross National Product per manhour.

Basic Industries









Gross National Product

(Billions of Dollars)

MADE UP OF:

	Consumer Expenditures	Gross Private Domestic Investment	Government Purchases and Services
1929	122	34	17
1939	133	22	29
1944	160*	14*	158*
1948	197	49	42
1953 (approx.)	229	57	82
1960 (est.)	325-30	85	85-90

*Total of these segments is more than total Gross National Product due to a net foreign investment of —$7.3 billion.

Over the same span, civilian jobs should rise from 62 million to 70 million.

With this feasible rate of growth, how might the American economy as a whole look by 1960?

The average standard of living might rise by somewhat more than the over-all growth of the economy, possibly by as much as 40 per cent. This is because defense and foreign spending, and business investment, would not maintain so high a ratio to the total national product in an expanding and relatively peacetime economy as they have in recent years.

Consumer outlays, for the needs and niceties of life, which were recently running at an annual rate of about $230 billion, could rise to an annual rate of $325-30 billion by 1960 (uniform prices).

Total private business investment, furnishing a general productive base for economic advance, could rise from a recent annual rate close to $57 billion to an annual rate close to $85 billion by 1960 (uniform prices).

The level of house construction, in a fully employed economy, could rise to around two million units a year by 1960, and thus reduce substandard housing at a more rapid rate in addition to taking care of a growing population.

A fully employed economy by 1960 would require an increase in agricultural output of at least 20 per cent above current levels.

Room for Expanded Federal Outlays

This rate of growth in these components of the economy would still leave room for a rise in the total outlays of federal, state and local governments for goods and services, from the recent annual rate of about $83 billion to an annual rate of $85-90 billion by 1960. While this would be sufficient to maintain if need be the current level of our outlays directed toward strengthening the free world, it would involve a reduction of public outlays at all levels from about 23 per cent of our total national product now to about 17-18 per cent by 1960, with a consequent reduction of the taxes needed to maintain a balanced budget. (Other economists have constructed somewhat different "models" for an expanding economy between now and 1960, both as to total product and as to components. These differences, in my opinion, do not impair my general thesis.)

The three tables to the left show the progress of the American economy since 1929, and its estimated potential between now and 1960, in considerably more detail than has been set forth in the foregoing general discussion. In our economy we do not and should not have the detailed "goals" to which the totally planned economies aspire. We profit by more flexibility and freedom. Consequently, the following estimates, especially as to specific items, do not represent any consensus but are merely one individual's

rough estimates as to what level of supplies would be desirable and attainable in a well-balanced full employment economy by 1960.

The Vital Issues

Several important conclusions flow from this record of our economic performance and appraisal of our economic potential. The first is that, if we make the efforts necessary to maintain a stable and growing economy, by 1960 we can be in an even stronger position than we are now to exercise our free world responsibilities. This is obvious if we compare what the American economy can look like in 1960 if we do our best, and the likely contours of the Soviet economy in 1960 as presented by Mr. Crankshaw. But we should always remember that the strength of our position relative to the Soviets in 1960 cannot be portrayed by statistics alone. For by doing our best, we can increasingly demonstrate the incomparable opportunities for balanced progress under a free system—a system which always puts the human worth and productive power of the free individual first. Such a demonstration would not only add to the internal power of the US; it would also be an inspiration to free peoples elsewhere.

This leads to a second conclusion. Our nation has the economic strength to maintain, and to augment if need be, the magnitude of the resources we devote to improving conditions in other parts of the free world. It may well be that even if the international situation justified a reduction in military outlay, we should then apply the savings toward soundly conceived participation in overseas economic development.

The foregoing analysis of our economic potential between now and 1960 demonstrates that we could make this shift and still enormously expand our productive plant and our standard of living. Moreover, if the economic, social, and security needs of the free world made it desirable, we could step up our annual outlay for these purposes by five, ten or more billion dollars a year, and still attain greater improvement in our own standards of living than the excellent record we have made during the past few years. Regardless of whether it is desirable to go this far, our American capabilities leave absolutely no room for the paralyzing fear that we must do less than the necessary abroad in order to protect our economy at home, or that we cannot do whatever may be the optimum throughout the free world and still assure our own growth.

Still another conclusion to be drawn from this analysis is that neither domestic nor world conditions permit us to suffer the losses which would result from doing less than our best toward building economic and related strength. Quite recently, responsible economists have predicted that the American economy in 1954 might register as much as a 10 per cent drop in total national output compared with 1953. What would be the consequences of such a regression?

Our total national output, under conditions approximating full employment, reached the neighborhood of $375 billion annually near the middle of 1953. The maintenance of full employment depends upon growth, and consequently the total output of the economy by the end of 1954 would be close to $390 billion if full employment were maintained. But if there were a 10 per cent "readjustment" downward, continuing through the year, total output might fall to $340 billion.

Can we afford to remain passive in the face of a threatened loss of $50 billion—an amount equal to our annual expenditure for all of our international security programs at home and abroad?

A 10 per cent drop in national output might mean a 10 per cent drop in employment, or a loss of more than six million jobs. When this is added to the two million-odd now unemployed, and to an annual increase of nearly a million in the labor force, a 10 per cent drop in national output could mean nine million unemployed by the end of 1954.

Nor is this all. Who can say that a drop of this size in the volatile and sensitive American economy could take place without producing a much greater drop, as investors and consumers reacted cumulatively to rising unemployment and dwindling markets?

But even if the "readjustment" were kept within this 10 per cent limit—or even a 5 per cent limit—what effect would this have upon the economies of our friends overseas? We all know that the moderate downturn of 1949, although total output was as high as in 1948, seriously retarded the processes of recovery and trade adjustments in Western Europe. A large decline in our economy would spread economic havoc among these nations and might impel some of them to try to cut their ties to the US and swing toward "neutralism" or toward formation of a "third bloc." The consequences of such a decline would play right into the hands of the Soviet propagandists, whose central dogma is that the American economy is unstable.

Twentieth Century Economics

It is one thing to "forecast" an economic slide in the United States as a basis for projecting prompt and vigorous measures to avert it. But it is risky to speak of an "orthodox recession" as a basis for the orthodox procedure of letting "nature take its course." The dynamics of the second half of the twentieth century cannot be reconciled with the orthodoxies which John Stuart Mill lived to reject.

There is not space here even to outline the whole range of policies, both private and public, which can refute the anachronistic notion that the vagaries of impersonal "trends" will determine the fate of our economy. Suffice it to say that we have sufficient resources, experience and knowledge to reverse the recent softening of our economy and resume the processes of growth. But there is at least one issue of high policy which ought to be identified boldly. There are those who say that while we have the economic

capabilities to resume rapidly this process of growth, we cannot do so for "budgetary" reasons. Here again we are confronted with the idea that America cannot afford the necessary.

To illustrate: If five or ten billion dollars of increased outlays this year for long-delayed domestic improvements, for economic aid abroad, for increasing our continental defenses against attack, or for some combination of these purposes, were to mean the difference between a decline approaching the proportions indicated above and the maintenance of a full and expanding economy, then we should be economically better off with these outlays than without them—even if they entailed a larger federal deficit. Besides, if we had a drop of $50 billion, or even $30 billion, in our national output in 1954, further tax reductions would be inescapable; many types of relief expenditures would be necessary; there would be much less national income from which to collect taxes; and the federal deficit (even if our international spending should level off or be sharply reduced) would be far greater than the potential deficit in a fully prosperous 1954 (even if our program of overseas aid were to be substantially increased).

Looking farther ahead, if we follow those policies which encourage a constantly expanding economy and lift our annual national output to near $500 billion by 1960, and if through building free world strength we can avoid a total war, the condition of the federal budget during the seven years ahead will be healthy under any foreseeable levels of expenditures and taxes.

This central question of what the United States can afford to do is not purely a matter of finance or mathematics or economics; it is fundamentally a matter of national morale. If we grossly underestimate our economic strength and potential, and, therefore, fail to do the necessary, we can lose much or lose all.

If the American people are erroneously led to believe that sizable economic "recessions" are inevitable or "healthy," that the exertions required to strengthen the free world threaten to weaken our economy or to plunge the nation into bankruptcy, that we are squandering our substance in aimless or pernicious adventures abroad, then of course they will not have the power to move forward. But if the facts are brought home to them, if they know that our economy can continue to expand, if they see that there is a noble and inescapable purpose in our world efforts despite the difficulties, if they realize that measured against world conditions our economic lot is happy indeed and our resources ample for all the tasks before us, then our moral determination will reinforce our essential economic strength.

And if through this moral determination we keep ourselves worthy of our material resources, we can preserve and win our way to an increasingly strong America in an increasingly peaceful world.

THE BALANCE SHEET:

1. ***In 1960, Stalin expected the Soviet economy to be so powerful in relation to the US that it would be safe for the USSR to follow any international policy it desired. In the next six years, the USSR must virtually double its industrial output to meet the quotas Stalin set for 1960.***

2. ***To reach its present level of industrial output, the USSR has starved its own consumer market and squeezed the vitality out of agriculture. The current diversion of resources to relieve the peasants and supply the restive consumers will slow down industrial build-up.***

3. ***Even if the Soviet economy meets Stalin's quotas in 1960, its production of basic industrial commodities—coal, oil, steel—will be far less than that of the US in 1948, on either a gross product or per capita basis. Stalin's timetable for Soviet-American economic parity cannot be met.***

4. ***In five years of defense effort between 1948 and 1953, US economic output increased 80 per cent—from $287 billion to $367 billion. If US production continues to grow at its average postwar rate, output will have increased to $500 billion by 1960, further widening the gap which future Soviet Five-Year Plans must try to close.***

5. ***Factors difficult to measure statistically also determine comparative power: By a ruthless priority system, the USSR can extract a proportionately greater military potential from its controlled economy; more prosperous consumers give the US strength in citizen morale which the USSR lacks.***

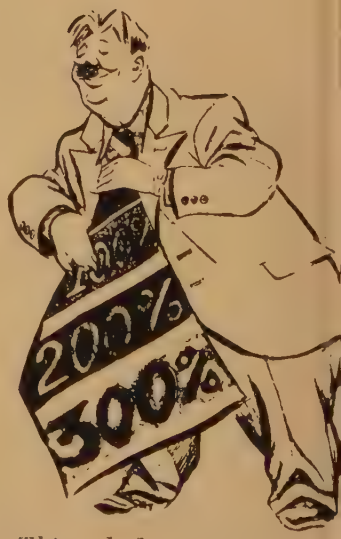
6. ***The US has the economic resources to meet and surpass any Soviet challenge, whether in military strength or in aid to other nations. US resources can be mobilized for such an effort without causing any real strain or setback to the domestic economy—provided that economy is maintained in its present expanding health.***

KROKODIL TEARS

The cartoons on these pages first appeared in recent issues of *Krokodil,* the official Soviet humor magazine published thrice monthly in Moscow. *Krokodil's* constant japes and gibes at shoddy goods and bungling bureaucrats come under the heading of Soviet "self-criticism." But, with jocose commiseration, they also set up in the reader's mind a series of lowly scapegoats for the colossal failure of the Soviet economy to produce.

A collective farm office: "Notify the District Council that we have triumphantly completed half our program of fodder storage one hundred per cent!"

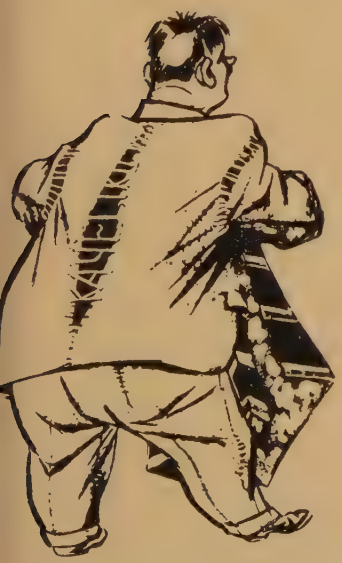
"Dear Editor: Can't something be done about the shortage of paper? Yesterday at the superstore they gave me my sugar ration unwrapped."



This clothing factory manager has a nice tie [his output figures], but

The new tenants: "Why, this apartment house looks as if it had never been repaired!"
Superintendent: "Of course not; it has just been built!"

(News item: Serious breakdown of the machinery on collective farms.) Supervisor: "I don't understand—are they reaping or sowing with that thing?"



take a look behind it! [the stitches spell Russian word for "quality"]

The secret substitute for EDC

When the last verbal ultimatum on EDC has been delivered, when all the diplomatic maneuvering and parliamentary debates are over, the result will be not a European Defense *Community,* but a European Defense *Confederation.* This is the prospect revealed by a careful sounding of the multiple sources, US and foreign, which make up what is called "Washington opinion."

Abandoning the idea of a unified European Army will be a retreat from what for years has been an outstanding point of American policy in Western Europe, but it will not necessarily be a defeat for that policy. Confederation instead of community *will* be a setback for the political ideal of merged sovereignty; it will constitute an unmistakable recognition of the continuing force of nationalism in international arrangements.

But, on the credit side, two of the basic goals of US policy will be achieved: (1) confederation will establish a realistic underpinning for Franco-German amity; (2) it will preserve the American concept of a West European defense structure which will include a German contribution. As a dividend, confederation will also open the way for a firm British connection with this structure, an appealing prospect to the French, who fear being left alone on the Continent with the expanding political and economic energies of Germany.

The possibility of confederation cannot be admitted openly in Washington, London, or even Paris. Until EDC is put to the test in the French Assembly, the official Allied position is that no alternative exists. There is an obvious psychological strategy in this uncompromising stand. Moreover, President Eisenhower now supports EDC with all the zeal of a convert (back in 1950, when EDC was first proposed, he did not like the idea). His present attitude puts the lid on top-level discussion of alternatives. At present, the Big Three are committed to EDC on an all-or-nothing basis.

But other people are interested in the problem besides Eisenhower, Churchill, and Bidault. There are two formidable groups of military men, the professionals in the national military establishments and the international professionals at SHAPE. There are influential career men who occupy the second and third-echelon desks in the Foreign Office. There are the politicians of all parties in Congress, Commons, and the Assembly. Less interested in psychological strategy or international causes, these practical men are prepared to admit to themselves that the ratification and effective implementing of EDC in its present form is not a sure thing. They are seeking some workable plan to turn to if EDC fails. Here are the main alternatives they are discussing:

► Bring West Germany into NATO. In Washington, that is considered fanciful. Besides requiring basic readjustments in the relations between the Federal Republic and the occupying powers, it would take a unanimous vote in the North Atlantic Council and a favorable one in the French Assembly—substantially the same endorsement needed by EDC. If one won't pass, why should the other? The idea survives chiefly because the Senate would approve it—as one expert observer said—"in thirty minutes."

► Unilateral rearmament of Germany by the US. This would undermine our relations with France and the French position as one of the occupying powers in Germany. The plan could be put into operation only through some kind of international gimmick—for example, a US-German arrangement whereby we would supply arms under the military aid program. Congress would probably accept such an emergency course, but Secretary Dulles almost certainly would not. It would come under his definition of a policy that could lead to a new, dangerous brand of German nationalism.

► Germany to rearm and form a national army on her own initiative. The United States and Britain would merely inform the Germans that they had no objection. This scheme also fails to take into account France's status as an occupying power, and our policy of acting in accord with France. It would look like a cold-blooded re-enactment of German rearmament in the 1930s.

► Germany to build a large and powerful military establishment in the guise of a police force. Hardly less objectionable than the open recruiting of a national army, such a project would complicate coordination with other West European forces.

► Withdrawal of the United States from Western Europe. This would make a difficult situation disastrous.

► Just plug along the way we have been going. This would mean accepting a truncated Continental defense set-up without German participation.

► Confederation, within the larger structure of NATO.

Although they may lack the soaring political idealism of Eisenhower and Dulles, the proponents of alternatives to EDC have the same goals: (1) Franco-German solidarity; (2) German contribution to the defense of Europe; (3) close, stable relations among the US, Britain and France. If these strong points can be gained and held, they will create a defense against Soviet aggression, and, at the same time, a safeguard against renewal of Franco-German warfare.

To set up these twin bulwarks for peace in Europe, however, it now appears that two categorical imperatives must be recognized: France is not going to yield her sovereignty to a supra-national political authority in such a vital matter as command of military forces; and France insists on

being backed up by guaranteed British support in any serious involvement with German power.

Out of such considerations has grown the plan to strip EDC of its supra-national aspects—implicit in the concept of federation—and turn it into a confederation of sovereignties subject only to the rather loose authority of NATO. It is cautiously assumed that British adherence to such a project would be fairly easy to obtain. At least, it is believed, Britain would consent to an involvement deeper than the "association" she now offers EDC. The hope is held out that, once such a confederation is established, the path to European political integration would become smoother.

One of the strong points of the project (it is still in outline form) is that it offers the only possible new direction for Western defense thinking to take that does not involve a showdown in France on EDC. Such a showdown could have the most serious international effects if EDC failed.

Another strong point of confederation is the diversity of its support. It appeals to French generals and potential German generals, anxious to keep their independence of each other. Presumably it would not be unacceptable to American generals, who keep their eyes on strategic and logistic problems rather than on the creation of new political devices.

In France, talk of such a design has attracted the close attention of many politicians opposed to EDC as it stands, but devoted in their own ways to the cause of peace and unity. In the United States, it might not meet the letter of Congressional stipulations on European integration, but it would be a movement in that direction instead of the current frustrating stalemate. Congressional interest centers on bringing German strength into European defense under adequate control, so that a corresponding diminution of American strength on the Continent may be achieved. Guaranteed that, Congress might accept a slower timetable for European political and economic unity.

How could such a confederation be brought about? One technique worth keeping an eye on is ratification by France of the EDC instrument her statesmen initialed, but with a long series of what a US Senator would call "reservations." The French exceptions would, in effect, call for radical renegotiation of the EDC treaty to make it the charter of a confederation.

The Back Door to Red Trade

The prospect for 1954 is that the US will ease restrictions on East-West trade where that can be done by administrative action. Where Congress takes a hand, as in the question of tariffs, the results are harder to forecast because Congress itself is finding it difficult to choose between good politics, which it thinks means continued restriction, and good business.

Outside Congress, almost everybody is for more East-West trade, or at least ready to accept it. Except for definite categories of strategic materials, the Administration's position is that a freer flow of goods is greatly to be desired. The President has endorsed that position; Secretary Dulles is not opposed; FOA Administrator Harold Stassen has been almost bold in his support. Our allies want East-West trade and it looks as if the USSR and its satellites do, too.

On this, as on many other issues, the Randall Commission on Foreign Economic Policy performed a useful function. It set the direction for a trend which the Administration can develop and extend in the gradualist way it prefers. The Commission's majority report recommended that "so far as it can be done without jeopardizing military security, and subject to

The St. Louis Post-Dispatch

The Cardboard Soldier

the embargo on Communist China and North Korea, the United States acquiesce in more trade in peaceful goods between Western Europe and the Soviet bloc."

The report recognized the realities behind Washington's attitude. Our effort to restrict trade between our allies and our enemies has "weakened the economies of friendly countries and increased their need for our aid." Our economic aid is being cut off in most countries and reduced elsewhere. One substitute might be to restore their "normal and historic" trade patterns.

"It may well be, moreover," the majority said brightly and helpfully, "that more trade in goods for peaceful purposes would in itself serve to penetrate the Iron Curtain and advance the day when normal relationships with the peoples of Eastern Europe may be resumed." Even if this is hokum, it is an argument hard to prove wrong.

It should be noted that Senators Millikin, Hickenlooper, and George, and Representatives Reed and Simpson, dissented. Any liberalized policy requiring legislative endorsement will have to get past them.

The politics of the matter are baffling. They were epitomized in the recent case of the almost-but-not-quite sale of surplus butter to the USSR; a more compact and intense dilemma could hardly have been arranged by an expert dramatist. It can be summarized simply by the reminder that Senator McCarthy, America's leading foe of trade with the East, comes from Wisconsin, America's Dairyland. The proposed deal would have greatly relieved the pressure of surplus butter on the domestic market. Despite the compelling interests of his constituents, McCarthy opposed the project. Secretary of Commerce Weeks, following McCarthy's lead, decided an export license could not be granted for a surplus sale at cut prices.

The dilemma remained. Members of Congress are under the occupational necessity of being stern toward the Soviet Union. But many of them are also under the equal necessity of helping get rid of farm surpluses. Weeks's ruling against cut-price disposal set a troublesome precedent.

Decisive, perhaps, will be the popular hatred of Russia. Congressmen find that if they even so much as mention trade with the Soviet bloc, they hear from mothers whose sons died in Korea. They want to know why we should be "giving butter to the Russians." The only safe answer for a Congressman is: "We won't, if I have anything to say about it!"

The Administration is not unaware of these political facts of life. The President's economic report, in the several sections dealing with international trade policy, limits its references strictly to "free nations." Nevertheless, the Randall Commission's recommendations, hammered into an Eisenhower foreign trade policy, can be expected to include freer East-West trade. For the time being, any relaxation will have to be confined to revision of the restricted list which is the basis for Allied cooperation.

David and Goliath

Israel is planning a series of tests before the world to determine just what President Eisenhower meant by saying in his State of the Union message that this government will show "impartial friendship" in the Middle East. The State Department has been informed that Israel reacts with "startled incredulity" (a rather strong phrase in diplomatic language) to well-based reports that the US is considering giving arms to Iraq and Saudi Arabia as part of a Middle East Defense development anchored in Turkey and Pakistan. If that is impartiality, say the Israelis, "please don't be so impartial against us."

Israel's charge in the UN Security Council that Egypt is blockading the Suez Canal was only the first maneuver to give the United States the opportunity—as it is tactfully put—to clarify the meaning of "impartiality." Further opportunities have been scheduled for the United States to support the Arab-Israel armistice as various issues arise under it, and to reprimand Arabia's new king for announcing an Arab willingness to sacrifice ten million people to "wipe out Israel."

The "announcer" of these diplomatic exhibitions, Ambassador Abba Eban, is one of Washington's diplomatic phenomena. In cocky disregard of the limited dimensions of his constituency, Eban conducts himself in every respect as the representative of a Great Power. Eloquent (though rather long-winded), deft in phrase-making, trained and skilled in debate, he sweeps in on Secretary Dulles as though he had Alexander's empire behind him, and offers an Israeli solution for just about all the Gordian knots lying on Dulles' desk. With both Eban and Nehru stoking the fire under the Middle Eastern defense pot, Dulles must needs sip with a long spoon to avoid scorching himself.

For Elder Statesmen: a Snub

Five of America's most distinguished and highly respected diplomats, none of whom are under the slightest suspicion of being soft toward subversion, are disappointed that Secretary Dulles failed to pick up the ball they handed him, and run with it toward the goal of better security procedures in the State Department. Joseph C. Grew, Robert Woods Bliss, Norman Armour, William Phillips, and G. Howland Shaw wrote a letter to *The New York Times* charging that present security policies might be "laying the foundations of a Foreign Service competent to serve a totalitarian government."

Asked about the letter in a press conference, Dulles in effect rejected both the contentions of The Five and their qualifications as witnesses, although he did so with the utmost courtesy. To some of the elder diplomats at least, it seems that Dulles missed a great opportunity. He said security procedures probably take an undue amount of his time. This, many here believe, should warn him that something is wrong.

Dulles' disclaimers leave most people who keep in touch with the Department and talk with its officers unconvinced, apart from the professional Red-hunters in and out of Congress. Mountains of testimony support Grew and his colleagues. None of the critics of the present situation believes that Dulles really would want the present security situation to continue or would permit it to, once it was brought home to him. When such a deposition as The Five made fails to get the point across, however, they wonder just what it will take to convince him.

How are we doing abroad ?

Tennis, Hollywood, and baseball, together with Washington's "new look" defense policy, President Eisenhower's leadership, and EDC, caused the most recent fluctuations in US popularity abroad, WORLD correspondents cable.

The visit of a blond movie star and her baseball hero husband vastly heightened our popularity in Japan, while a dispute over the conduct of touring US tennis stars momentarily lowered it in Australia.

Great Britain and India both applauded the President's fight to kill the Bricker amendment. Hong Kong had serious doubts of our new atomic air strategy. In France the US lost—and Reds gained—as opposition to EDC increased.

TOKYO

Sydell Magelaner reports:

Luscious Marilyn Monroe and her baseball star bridegroom, Joe DiMaggio, are to the average Japanese the most glamorous—and therefore the most important—representatives of America, and their recent visit raised US popularity to an all-time high.

To baseball-and-movie-crazy Japan the DiMaggios have everything, and they far outdrew the visiting Soviet skating team. Until Marilyn and Joe appeared, the Reds, who swept the World Speed Ice Skating Championships at Sapporo, were the idols of the hour.

The US had been sharply criticized for failure to send a team on grounds of "economy." But when the DiMaggios landed at Haneda Airport, where 100,000 persons awaited them in the shivering cold, all was forgiven and forgotten.

Even in this atmosphere of good will, however, the Japanese press, eager to display its independence after the years of occupation, is very careful to avoid appearing too pro-US.

President Eisenhower's statement in his State of the Union message that the US planned to retain Okinawa "indefinitely" caused the *Kyoto Shimbun* to express "deep regret." The *Tokyo Shimbun* commented:

"We should like to ask the speedy return of Okinawa, assuring the Americans that they can count on the Japanese people to keep out of power forever any political party which is opposed to the Japanese-US Security Pact and US bases in Japan."

The Eisenhower message as a whole also evoked severe criticism. The *Niigata Shimbum* asked:

"Is there danger that the US, out of eagerness for her own freedom and prosperity, will forcibly push her policies at the expense of other nations? Our fear is serious."

The *Yomiuri Shimbun*, of Tokyo, called the message "disappointing," and the *Chubu Keizai Shimbun* added that it "lacked vitality . . . and laid stress on arms without giving any reason."

The *Hokkaido Shimbun* summed up the general editorial opinion:

"Friendship between East and West is the hope of the world for 1954. But the message can hardly be said to meet the hope."

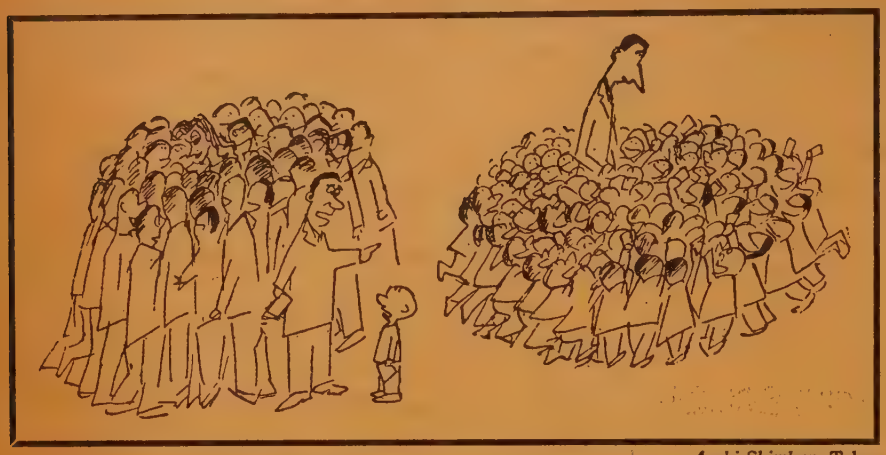
The US attitude at Berlin, however, was warmly defended by the English-language *Nippon Times*, of Tokyo, which castigated the Soviet representatives. It stated:

In einem Interview, dass er unmittelbar nach dem ersten Zusammentreten der Aussenministerkonferenz in Berlin der amerikanischen Zeitschrift "WORLD" gab, verlangt Adenauer, "die Verwirklichung der EVG weiter voranzutreiben."

Taegliche Rundschau, East Berlin

Angel of Peace: "Oh, not the field gray. Give us the beautiful green of hope."

The comment over the cartoon reads: In an interview given the American magazine WORLD, immediately after the start of the Four Power Conference in Berlin, Adenauer states that "the realization of EDC must go on."



Asahi Shimbun, Tokyo

"Little boys are supposed to want Joe's autograph, not Marilyn's."

"It seems to be only too true that hatred and vilification of the US have become such an obsession with the Soviet leaders that they are unable to free themselves from it for a single moment.

"One realizes that the fact that the US has given such strong leadership to the free nations as to have effectually frustrated the Communist conspiracy to dominate the world must be a bitter pill for Moscow to swallow."

HONG KONG

Ron G. Whitehead reports:

Washington's "new look" defense policy which stresses atomic air retaliation against new Communist aggression aroused criticism in Hong Kong for opposite reasons: one, it was too high-handed; two, it was not high-handed enough.

The latter viewpoint was expressed by the pro-Nationalist Chinese-language press, which called it "too defensive" and a restatement of the old policy of "containment."

The *Kung Shang Jih Pao* described the policy as "just old wine in a new wineskin."

The *Sing Tao Jih Pao* asked in addition what would happen to the new strategy if the US and the Soviet Union reached an agreement banning nuclear weapons.

On the other hand, the English-language *Hong Kong Standard*, describing the new strategy as a "central police force rather than a guard over every house," asserted that such a force should be operated by the community as a whole, not by any single individual "no matter how wealthy, eminent and respected he might be." It continued:

"It would be impossible to unite community opinion behind such a police force, and inevitably other private citizens would decide that they, too, must have their own police forces."

It warned the US that, however altruistic its motives, it could not in such a manner take over control of the world's freedom-loving nations, and added:

"As long as the US persists in this attempt it will fail, and, in failing, will stimulate dissension and mistrust among its allies. Thus it will harm the very cause it seeks to foster. . . .

"The need for a more effective Free World policy against communism is manifest. We doubt, however, the wisdom of issuing stern-sounding warnings and making vague threats which are most likely to prove empty ones."

The newspaper praised the State Department article, written by Walter P. McConaughy, former US Consul General in Hong Kong, opposing recognition of Red China.

But it added that McConaughy overstated his case when he wrote that recognition of the Peking regime would be the "greatest non-military triumph for the Communist cause that could be devised."

SYDNEY

George McGann reports:

Australia takes tennis as seriously as Americans do baseball, and the failure of two US Davis Cup stars, Tony Trabert and Vic Seixas, to live up to local tennis standards strained American-Australian relations to a degree inconceivable to those who are unaware of the importance Australians attach to international sporting events.

De Tijd, Amsterdam

Dulles: "Hop in, Marianne, Dr. Adenauer's getting impatient."

The trouble began when the US aces vehemently disputed some linesmen's decisions—a practice that is considered beyond the pale in Australia—which aroused the crowds to raucous catcalls.

When Trabert showed he resented the boos, the spectators shouted, "Go back, Yank, go back to the Navy."

In this tense atmosphere Trabert, after leading John Bromwich 6—1, 6—1, in the quarter-finals of the Australian Nationals, lost the last three sets, seemingly because he didn't want to win.

The next day he and Seixas were booed to the echo when they dropped a doubles match. Futility reached its peak when thousands in the stands shrieked, "You mugs, go home," and Seixas answered, "Come down here and say that."

The newspapers leaped into the fracas, the *Argus,* of Melbourne, calling Trabert a "spoiled child."

The *Sun,* of Sydney, called his apparently deliberate dropping of his match with Bromwich "unsporting."

A few days later, however, cooler heads prevailed. The newspapers editorially denounced the "larrikin element" which had booed the US players. Seixas and Trabert publicly presented gift rackets to their ball boys and ball girls, while the audience gave them an ovation.

The *Daily Telegraph,* of Sydney, once their most vociferous critic, explained that "Seixas and Trabert have been worked to death. . . . They would be more than supermen if their nerves had held out."

LONDON

Cecil F. Melville reports:

US prestige in Great Britain now is as its highest level in many months, thanks to President Eisenhower's firm assumption of party and national leadership.

Responsible leaders of both the Conservative and Labor parties, and the British public as a whole, have been favorably impressed by the strong yet flexible US stand at Berlin, the President's unyielding opposition to the Bricker amendment, and the all-out Eisenhower support of the liberal foreign trade recommendations of the Randall Commission. A high official summed up the general feeling:

"The free world, now entering the 'cold peace,' seems about to get the enlightened American leadership for which the true friends of America on this side of the Atlantic have been praying for the last twelve months."

The extreme left wing, whose favorite pastime has been blaming Washington for everything wrong from fogs to the fuel shortage, has been reduced to attacking American soft drinks for lack of any other US target. Bevanite Dr. Barnett Stross recently asked the House of Commons to order an investigation of Coca-Cola on the ground that the drink was harmful to British teeth.

This outburst is typical of the synthetic charges which recently impelled Prime Minister Churchill to rebuke leftist Laborites for "always looking around in every controversy to try to find fault with the Americans."

PARIS

George W. Herald reports:

The US is receiving more favorable press treatment in Paris because of the leading role assigned at Berlin to French Foreign Minister Bidault and Secretary of State Dulles' likening him to Abraham Lincoln.

However, even this has come in for left-wing criticism, with such newspapers as *Combat* and *Liberation* calling Dulles' stand an "astute maneuver" intended to block any "Franco-Soviet flirtation."

Nevertheless, the major issue between France and the US, French ratification of EDC, is even farther away than before, and the Communists are gaining popularity at America's expense by exploiting to the hilt the mounting opposition to the Defense Community.

Prefects from everywhere in France report that the Communists are gaining ground in their departments "by campaigning against EDC at the side of non-Communist politicians." One from the Rhone Valley added:

"Not so long ago, Communist was synonymous with Russian. Today it is synonymous with anti-American, and this makes a big difference."

The expected new Franco-Soviet trade agreement is another factor raising Russian prestige and, by the same token, lowering American. A prominent Radical Socialist commented, "One doesn't slap in the face someone from whom one expects peace and profits."

BOMBAY

Frank Moraes reports:

Indian respect for the US has been increased by President Eisenhower's forthright opposition to the proposed Bricker amendment, which, Indian leaders feel, would hamstring Washington in its dealings with the Kremlin hierarchy.

Opinion of the amendment is summed up by the *Times of India,* of Bombay, which stated:

"At a time when the tempo of international affairs is more than likely to create situations calling for swift and bold decisions, a more disastrous undermining of the foreign policy of the United States could not have been contrived."

China Mail, Hong Kong

"Solomon" Dulles

Can the Church Work With the Left in Italy?

ITALY'S seemingly insoluble social problems, which have led to the present political dead end, are splitting the ranks of the Catholics.

Farsighted members of the Catholic world—in the Christian Democratic party, in lay organizations, within the Church itself — are actively, even intensely, engaged in a search for new forms of social enterprise to check the twentieth-century advance of godlessness.

But they are meeting with stern resistance from the conservative wings of their respective organizations; the result is a bitter internecine fight.

The Christian Democratic Left stresses that social reform should not become the exclusive property of the Communists. The Right retorts that it would be fatal to fight the Communists on their chosen political ground.

This is also the point of view of Italian Catholicism's strongest lay organization, Catholic Action. It favors social service rather than reform, but of late it too has become divided. Its ultra-conservative chief, Luigi Gedda, is backed by the men's section, while women, teachers, and intellectuals urge a swing to the Left. Particularly violent, the youth group has called for strikes against the government.

Another Catholic group agrees with them. The Italian Young Workers Organization (GIOC) says that the Church has become the friend of the rich and asks for reforms to help the poor. In fact, it says, the biggest problem of Italian Catholicism today is to reestablish contact with the workers.

This soul-searching is best exemplified in the missionary spirit prevalent in many parts of Tuscany and Emilia. This is the land which brought forth the Renaissance in the fourteenth century, and many think it will foster a much needed Catholic reawakening today.

The outstanding figure in this new movement is Catholic Mayor Giorgio La Pira of Florence, a Dominican lay brother. When a shutdown at the Pignone factory seemed imminent, workers staged a sitdown strike at their benches for fifty days. La Pira, in a move which shocked the Peninsula but had papal support, arranged for Mass to be held in the occupied factory.

He also wrote the head of the plant, citing the teachings of Christ. The reply advised the Mayor to be more realistic. La Pira immediately answered: "It is not the speeches of Togliatti or Di Vittorio [Communist labor boss] which make communism advance by leaps and bounds; it is the closing down of works such as Pignone which causes the whole of the working class community to defend themselves and fight from Communist trenches."

OTHER Catholics agreed. Two hundred bishops wrote La Pira blessing him and implying criticism of the Church's silence. La Pira said, "God gave us the present in which to do things and not the future. People who have no homes, no money, no food, don't care a jot about red or white, EDC or imperialism. If you come to me out of work and hungry, I cannot tell you simply to recite an Ave Maria."

Florentine Catholics proclaimed that "a Christian is always in revolt. Our society must be changed." Many of the bishops went far beyond the actual terms of the Florentine dispute. They wanted more effective measures against unemployment, social reforms and a welfare program like Britain's.

Support came from Giacomo Cardinal Lercaro, Archbishop of Bologna. La Pira gives the overcoat off his back to a poor man; Lercaro has filled up the rooms of his huge palace with orphans. Asked if the idea stirred up by La Pira constituted a revolution, Lercaro replied: "It is not a new thing. The church would be ruined if it did not go along this new path."

Dominican priest Enrico di Rovane, writing in *Il Popolo,* got right down to cases and asked for a regime of austerity to end "the scandalous differences in the standard of living which exist in the country." This was the first time a writer in a Christian Democratic organ had taken a stand on the Communists' most effective propaganda point. Since then the conservative Jesuit publication, *Civiltà Cattolica,* has also spoken out in favor of reform.

Still other Jesuit voices have chimed in. Jesuit Don Primo Mazzolari said, "The poor of Italy are nailed on the cross of capitalistic economy. We must take the people from the cross, and we cannot wait until the eleventh hour when there is only a dead body to take down."

For many others in the Church, however, these opinions verge on heresy. Cardinals like Ruffini, Ottaviani, Pizzardo uphold the status quo as their predecessors have for centuries. After all, they explain, the Vatican is not engaged in a battle for power but only in a war of ideas. So the Church cannot agree that social reform is the basic answer to Marxism. How can the Church support the demands of one class against another? How can it reconcile the class logic of the Communist Left with the class-less logic of Christianity?

UNDER the pressure of such powerful forces, La Pira and his allies were peremptorily pulled back into line, and a few weeks later Cardinal Lercaro was quoted over the State Radio as saying that any collaboration with Communists was impossible. Others followed, including Catholic trade unionist Giulio Pastore.

But the curtain has not been permanently lowered on this "great contemporary drama," as the Catholic hierarchy in France calls it. As the Italian political situation worsens, many feel that the time is fast approaching for a second look by the Church at the Peninsula's crucial issues: social welfare and labor.

Percy Knauth

From left to right: Copy Editor Huling, Associate Editor Van Bokkelen, Editor Koeves, News Editor Simonton, and Business Editor Stroock

Working Overtime—for Subscribers Only

Time: 11:15 p.m. Date: February 5. WORLD's key editors are closing the mid-monthly issue of WORLD-CABLE. Outside, a copy boy is standing by to taxi the typed pages down to the printer, who will set and run them overnight and rush them out to WORLD subscribers the next morning.

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Nehru's feuding spokesmen

When members of Western delegations fret about their intramural troubles they can usually banish the blues by remembering how lucky they are not to be working for the Indian mission. Individually, the Indian delegation includes some of the abler UN diplomats. But as a working team it just isn't.

For the past couple of years, cocktail party gossip has avidly probed the split—deep, personal and barely concealed—between Madame Vijaya Lakshmi Pandit, now President of the Assembly, and V. K. Krishna Menon, India's UN spokesman on Korea and other major political issues. It is no secret to anyone at the UN that the two are waging a bitter struggle for influence. As often as not, they disagree on strategy, tactics and philosophy. What's more, neither is shy about letting Nehru know what a mess the other is making of things.

Madame Pandit, of course, is the Indian Prime Minister's sister and a political figure in her own right. Menon exists as a diplomatic personage only through Nehru's delegated authority; he has no political power of his own. The friction between them is useful as a source of gossip, but it makes life difficult for the other delegates. More than one diplomat has complained to his friends that India's position on a forthcoming issue depends entirely on whether one hears it from Madame Pandit or Mr. Menon.

This is a matter of some political importance because Madame Pandit seems to be more responsive to Western policy than the fire-eating Mr. Menon, who has made a reputation for himself as among the least tactful of diplomats. Menon insult-collectors comprise a sizable group. One of their favorite anecdotes is his reply to a reporter who asked him a question: "You are interested in a story; I am interested in peace." The reporter turned out to be a World War II veteran who gave Menon a small, but concentrated, piece of his mind.

Menon's lack of lovableness is his own business and that of those who must deal directly with him. Vastly more important is the widening gap between India and the United States, a gap that the Kremlin must measure with increasing delight. Indian delegates complain that Washington does not allow for genuine differences of opinion on foreign policy. American delegates complain that India's foreign policy is not only based on wishfulness, but is sometimes plain weird.

Take India's attempt to convene the Assembly on February 9, to discuss Korea. Who defeated it? India.

Many of the UN countries had little enthusiasm for the meeting, but they were willing because they could understand India's desire for a word of approval from the Assembly on the part she had played in Korea. Then came the tricky Indian maneuver about the prisoners of war—returning them but announcing that their release as free men would be a violation of the armistice. The announcement was made in the full knowledge that the UN was committed to releasing the POWs.

That statement killed the February 9 Assembly. The US and its allies knew that the prisoner issue would be debated at such a meeting. And they were acutely unhappy that the star turn would be a UN member—India—getting up and declaring that the United Nations' military command had violated the armistice.

One American, who tries his best to understand the Indians, said: "It would have been a wonderful gift for the Russians, especially while the Berlin talks were going on. But Christmas is over."

The First Year Is the Hardest

The Republican administration and the United Nations have now had a year of living together, and while the marriage has not been one long honeymoon, neither has it turned out as badly as both parties feared.

Until the day General Eisenhower became President Eisenhower, the United Nations had been pretty much a Democratic baby. Roosevelt had helped form it; Truman had helped baptize it; Democratic foreign policy had guided the West at its General Assemblies. Except for a sprinkling of Republicans here and there—two minority party members are appointed to each US Assembly delegation—it was Democrats with whom the UN diplomats had to deal.

Diplomats are supposed to be diplomatic, so during the 1952 Presidential election none of them wore campaign buttons. But there is no doubt that if the UN vote had been the deciding factor, Stevenson would have won by a landslide. When Stevenson ran second, the future looked dark to the UN's professional family.

Much of a UN diplomat's time is spent writing reports for the Foreign Office boys back home; it is a safe bet that reams have been written about Republican policy as it has affected the UN. On the basis of talks with a number of foreign delegates, it is a good bet, too, that the average summing-up of a Western diplomat would go something like this:

"The Republican party has carried on the basic elements of US foreign policy laid down at the United Nations by the Democrats. The said elements consist of holding the diplomatic and political line against communism—containment, the Democrats used to call it—fighting off the admission of Communist China, and choosing its major Western allies over its potential Middle Eastern and Asian allies when it comes to a showdown on the issue of nationalism.

"Within that framework, however, there have been differences between the Democrats and the Republicans—differences of tactics, strategy and personality. Henry Cabot Lodge, Jr., chief United States delegate, has been hitting harder and oftener than his predecessors on the anti-Communist theme. Take the question of Russia's supplying materials of war to the

Communists in Korea. Acheson originally made those charges; now Lodge makes them again, but dressed up in punchier, more dramatic language.

"There are other differences, some specific, some general, some almost intangible. Specifically, the Republicans are cold as ice to international covenants such as those on genocide and human rights. The Republicans are making a point of backing up Britain and France in their fight to prevent the United Nations from gaining influence in what they consider their domestic affairs, especially colonial jurisdiction.

"This more determined stand has gotten a sour reception from the Asian-African bloc. What is a matter of domestic policy to a colonial power often is a matter of independence and nationalism to the newly self-governing peoples.

"On a more philosophical level, too, there are changes. Since the Democrats were primarily responsible for the creation and molding of the United Nations, they felt an emotional stake in its existence. The Republicans have no such feeling.

"The Republican yardstick is: how useful can the UN be in furthering United States policy? Every country has essentially the same yardstick; each acts from self-interest. When they spoke for the US, the Democrats did too, but the Republicans seem to be a good deal blunter about it.

"As for the US delegation: it is not so good as it used to be under the Democrats. In part, that is traceable to inexperience; it will get better as time goes by.

"But there was too much experience lopped off with the Democrats. For the most part the new delegates are green. Americans are proud of their technical know-how; at the UN they could do with more diplomatic know-how and know-when.

"One of the troubles is that the delegation does not operate as a team the way it used to. It is every inch Lodge's delegation. That makes for clearly defined responsibility, but not for self-confidence on the part of individual members.

"We are not especially captivated by Lodge. He is a fine, colorful speaker and has an abundance of the self-confidence that some of his subordinates lack. But he relies too much on the huckster's approach to diplomacy —give 'em a good slogan. He sometimes acts as if our acquiescence can be taken for granted. Such an attitude does not engender warmth.

"James Wadsworth, Lodge's deputy, is new to the business, but he is sincere, has an engaging personality, and learns fast: a good man for the job.

"In short, the Republicans aren't building their foreign policy on the United Nations, but neither have they packed us away. And when they wanted an international platform for Eisenhower's atomic pool speech, they found us useful to have around."

WORLD Drawing

Eisenhower: "If you and I each gave him a few nuclear aggies, everybody could play."

The tempest in a coffee pot

BRAZIL, producer of more than half the world's entire coffee supply and No. 1 target of US housewives incensed by incessantly rising coffee prices, also is faced by a consumer strike at home.

Many Brazilian households, where coffee has been the traditional meal-time drink, have turned instead to tea and to Latin America's indigenous hot beverage, *yerba de maté.*

In addition, the Cariocas of Rio de Janeiro, the Paulistas of São Paulo and the inhabitants of the other major cities, who were accustomed to drink from fifteen to twenty *cafezinhos*—thimble-like cups which hold about half as much as a demi-tasse—during the business day, are trying to develop a taste for soft drinks and beer.

The reason: in the past few weeks each *cafezinho* has risen from 0.6 to 0.9 cruzeiros (one cent to 1.5 cents) at the innumerable coffee stalls and shops—and is expected to go a good deal higher. The price per pound for home use is mounting in comparable fashion.

Meanwhile, the harassed Brazilian government keeps insisting to consumers both at home and abroad that the price increase is *NOT* the result of monopoly or price-fixing, but of an "Act of God," a killing frost last winter—last summer in the United States and the rest of the Northern Hemisphere—which blighted most of the 1953 crop.

Government spokesmen said that all US delegations seeking to investigate the situation will be welcomed, including specifically the "four typical American housewives" to be sent at Brazilian expense.

They added that every effort is being made to increase production and, meanwhile, provide more coffee for export to meet the emergency.

Wetbacks Wanted

Anti-US feeling is mounting in Mexico as the result of Washington's decision of January 15 to permit an unrestricted number of Mexican farm workers to seek employment in the United States.

Under an agreement which expired on that date, workers were allowed to cross the border only under contract conditions approved by both governments.

Both pro-American and pro-Communist Mexican leaders charge that the shift was caused by the pressure of large-scale US farm operators who want a source of easily exploitable seasonal labor which need not be guaranteed either adequate wages or decent housing, sanitation and working conditions.

Senator Trueba Urbina, of Campeche, recently told the Mexican Upper House that the opening of the border meant that the *braceros*—in the US they are called "wetbacks" because they wade and swim the Rio Grande when the frontier is closed—would be "completely at the mercy of exploiting American farmers."

Moscow-oriented labor chieftain Vicente Lombardo Toledano said at the same time that the Administration's decision shows that the "United States government does not really intend to maintain friendly relations with Mexico."

Actually the situation is as much the fault of Mexican as of US authorities. As soon as one side has closed the frontier, the other has opened it, leaving the many thousands of workers who crowd the border towns on the Mexican side in a state of complete bewilderment.

When the agreement ended January 15 and the US opened the frontier, Mexico ordered the border sealed. Those *braceros* who were able to sneak past the Mexican guards were admitted by US authorities, and this led to understandable resentment on the part of Mexican officials.

Then, a few days later, the guards were withdrawn, and additional thousands jammed the recruiting stations on the American side of the border. US immigration authorities, unable to cope with the new flood, closed the frontier in their turn until additional receiving facilities could be set up.

At last reports the frontier had finally been opened on both sides, and meanwhile the workers, legally or illegally, were pouring across at a rate of well over a hundred thousand a month.

Fortunately, both Washington and Mexico City are attempting to minimize the gravity of the situation. Mexican President Adolfo Ruiz Cortinez insists that it is not an international dispute, "merely an incident."

Missionaries Non Grata

Freedom of religion and freedom of the press both have become major issues in Colombia.

President Gustavo Rojas Pinilla's government has ordered Protestant missionaries from the United States and elsewhere to refrain from carrying on any proselytizing activities.

The government's statement said that while the Colombian Constitution guaranteed religious freedom, this freedom was in force "only provided religious ceremonies and cults are carried on within the walls of churches." It added that such missionaries legally could give religious instruction only to the children of non-Catholic foreigners.

In Peru, Roman Catholic authorities recently called on the government to halt the activities of Americans attempting to teach reading and writing to Indian tribes in the trans-Andean jungle. It was claimed they actually were Protestant missionaries.

The Bogotá government, speaking through the Information Office head, Jorge Luis Arango, also warned all Colombian newspapers to refrain from publishing any news items or editorials which could be "considered offensive to chiefs of state that maintain friendly relations with Colombia." Arango stated:

"It is necessary to keep in mind that such attacks against friendly countries lack any basis whatsoever and give the false impression that the Colombian government is backing them."

According to observers, the new

press instructions were made necessary by the growing rapprochement between President Rojas and Argentine President Juan Domingo Perón. Much of the press in Colombia is hostile to the forging of closer links between that country and Argentina.

Anti-Franco Artists

The current Latin American Art Exhibit now on view in Havana, which is sponsored jointly by the Cuban and Spanish governments, is arousing bitter resentment among a great many Cuban artists.

They are particularly incensed because they regard the exhibit as an attempt to make pro-Spanish and pro-Franco propaganda out of the celebration of the "Year of José Marti," Cuban national hero shot by the Spanish during the 1895 revolution.

The exhibit, which opened January 28, is being staged as a climax to the festival celebrating Marti's birth in 1853.

Two leading Cuban artists, painter Mariano Rodríguez and sculptor Alfredo Lozano, are organizing a rival exhibition to which artists from all over Latin America are being asked to contribute.

The Latin American Exhibit, instituted by the Franco government to emphasize the links between Spain and its former American possessions, was first held in Madrid in 1952. It is planned to stage it biennially in various Spanish American capitals.

Crisis in Chile

The threat of an internal crisis is mounting in Chile, where popular discontent over the daily worsening economic situation is for the first time being focused on the government of President Carlos Ibañez instead of the "callously indifferent" economic policies of the United States.

Until recently, Washington has been the scapegoat, primarily because of the US refusal to buy, on Ibañez's terms, the 120,000-odd tons of copper which for many months have been lying along the waterfront without finding a foreign purchaser.

This perfectly suited the book not only of the government—which the people thus absolved of responsibility—but of Ibañez's ally, Argentine President Perón, who is making an all-out bid for Latin American leadership in opposition to Washington, and of the always anti-US Communists and pro-Communists.

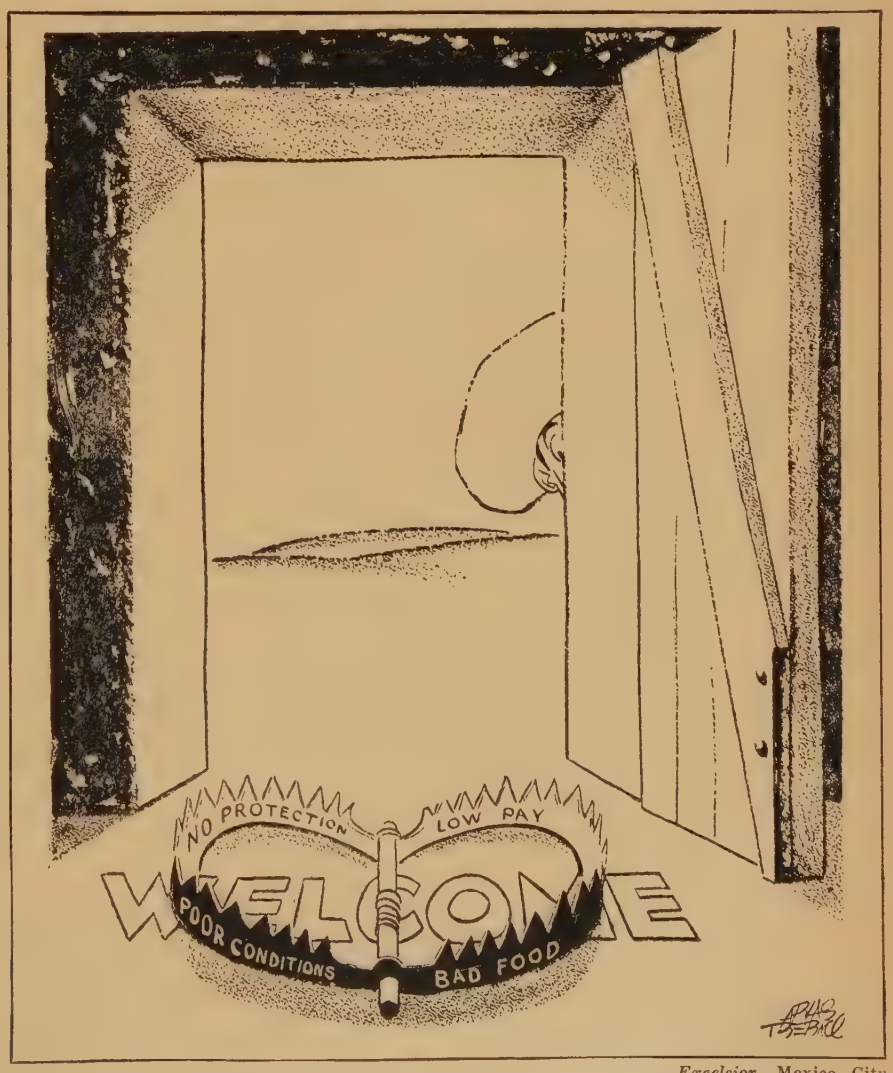
Blaming everything on the United States continues to be the Peronista and Communist line, but the Chilean masses no longer accept it without question. The principal reason for their cynicism is that, despite propaganda claims, neither the touted economic alliance with Argentina nor the stringent measures adopted by the government have managed to halt the inflationary spiral.

The fundamental cause of inflation, according to a recent analysis made by the University of Chile, is the stagnation of the nation's economy, which has been slipping back rather than progressing ever since World War II.

This analysis shows that agriculture, formerly responsible for some 18.5 per cent of the national income, now produces only 15.5 per cent, and that mining, which used to contribute 10 per cent, is now accounting for only 5.5 per cent.

Public confidence in the country's economic future has so decreased that private investment in productive enterprises has fallen to 50 per cent with the government forced to supply the rest of the needed capital.

This last trend, of course, originated in deliberate government policy, which flirted with collective "national" ownership in order to eliminate the economic domination of foreign capital. This policy now has boomeranged with a vengeance.



Excelsior, Mexico City

"Texas opens its door to the wetbacks"

The Importance of Champagne

In order to double the champagne production of a factory in Kharkov, the Soviet government recently released precious materials, engineering skill and labor to build twenty-three new fermentation tanks with a capacity of more than a thousand gallons each. Some day these huge vats dedicated to pleasure may be remembered as milestones of a new revolution in the Union of Soviet Socialist Republics, one that might be called "the revolution of the consumers."

Such an expression falls on comprehending ears in America, since it reminds us of the deeper meaning of our own progress in the last half-century. In fact, the gulf which separates the two great modern revolutions, the American and the Russian, may be described by a simple contrast: Russian communism seeks the salvation of mankind by changing the ownership of the *means of production*, while American capitalism asserts that progress and contentment come to man through ownership of the *product itself*.

There can be no doubt that the American formula has spread infinitely more light and happiness for the individual than the one sponsored by the USSR. Not only is it a basis for the material well-being of a vast number of citizens, but it has conferred new pride and dignity on the working man and created a society of an unparalleled homogeneity. Yet, paradoxically, in this battle between the spirits of Karl Marx and Henry Ford, the author of *The Communist Manifesto* is still revered by hundreds of millions as the guiding genius of the exploited masses, while the wizard of River Rouge who launched the new trend in the US remains a popular world symbol of reaction, even of oppression.

The paradox is explained, of course, by the natural yearning of the human mind for ideas and abstractions. Life is a confusing process full of contradictions. Man feels that he is the master of his destiny, or at least understands what is happening to him, only if he can express his immediate condition and the changes he desires in terms of clear concepts.

Marxism has built up an elaborate, scintillating body of theories. It is based on the conquest of political power for the proletariat in order to ensure ownership of the means of production. This, it claims, is the only way to enhance the material and moral well-being of the people. And Marxism's appeal to millions lies in the circumstance that it seemingly permits man to foresee his own future and play a part in shaping it.

Henry Ford had no philosophical pretenses; it is doubtful that he ever read Hegel. He was a practical man. It occurred to him that the greater the purchasing power of the masses the better not only for them but for industrialists, too. This was a simple idea, not a basis on which to explain theories of government or the development of the inner laws of art and religion, as Marxism claims that it can do.

In the end, according to life's mysterious pattern, it was not the magisterial theories of a giant brain but the operational decision of a practical businessman which opened the door to unprecedented progress for the working people.

Yielding to the golden temptation to possess the means of production created only a new enslavement, another kind of misery, helplessness, bleakness. On the other hand, Ford's achievement proved that you cannot better the material lot of the people and make them important consumers without automatically raising their cultural and moral position as well as their political influence. Today, the great majority of Americans on every conceivable level are well integrated in American society.

Such an example, such a triumph, could not but influence—consciously or unconsciously—the Russian masses and their leaders. It could not help but indicate a new trend toward greater ownership of the product itself, as distinct from the worthless theoretical ownership of the means of production.

Hence the new Soviet champagne vats today, the new bicycles and dresses and pants and hundreds of other consumer articles. Hence, also, orders for millions of pounds of butter from abroad, and urgent bids for expanded East-West trade. For it is the nature of the Soviet economic system, which knows no price and quality competition on the open market, that it cannot produce consumer goods cheaply enough and of good enough quality to satisfy large masses of people.

Yet the people must be satisfied, for something has happened to them. By their irresistible demand for goods they have recovered some political power for themselves. Here is a new departure in Soviet Russia which may herald a real break in the present system because it is rooted, not in any theories, but in the simple yearnings of simple human beings. The point is so elementary that it almost escapes attention. Yet, by this very fact, by its elemental quality, it may lead to more decisive consequences than any personal or factional fight for power on the highest level.

So, let us raise our glasses and drink a toast to the champagne vats. They may hold something more than the lovely sparkling stuff: the hope for a better future for us and—just as important—for the Russian people themselves.

Norman Cousins

Editor

An American businessman offers a constructive plan to end anarchy in world commodity markets, and launch an:

ERA OF STABLE PRICES

By BENJAMIN GRAHAM

For the American manufacturer or processor, the materials he must use are one of his basic operational costs. Yet this major cost factor is also the most unpredictable. In the three years between January 1950 and January 1954, the prices of basic commodities in the US fluctuated 48 per cent. To anticipate this wild element in the economy requires superhuman timing, a sixth sense; it is like trying to do business on a roller-coaster.

The chronic instability of commodity prices is not only a constant hazard to individual businessmen; it threatens American prosperity in general. A prime contributor to the depressions of 1920-22, 1929-33 and 1937-38 was the concurrent collapse of world commodity prices. Similarly, the ballooning of raw material prices at the outbreak of the Korean War gave enormous impetus to our most recent inflationary spiral.

In an attempt to create a price stability favorable both to domestic producers and general economic health, the US government has made a radical departure from free enterprise economics. But its chosen technique, stabilization by price supports, has cost a fortune, piled up unproductive and unmanageable surpluses, and brought about the current impasse in government agricultural policy.

Now the underdeveloped nations of the world—mostly raw material producers—are urging in the United Nations that a price-parity system similar to that in the US be established for the world at large. The United States—the world's largest consumer of raw materials—cannot afford the immense dollar cost of such a system. However, neither can it afford to ignore the international demand for a solution to ruinous price instablity.

The growing pressure in the UN arises from the critical importance of price stability to the many nations whose economies are largely based on the export of raw materials. It is perfectly true, as their spokesmen claim, that price fluctuations of primary goods are notoriously much wider than for manufactured articles. Nothing shows this more clearly than the fact that between 1901 and 1950 *annual* variations between high and low prices for eleven representative commodities averaged 27 per cent. Such a price spread has made it increasingly difficult for these underdeveloped nations to operate their economies. In boom times a price rise produces temporary prosperity and encourages dangerous extravagance. This is always followed by a price collapse which very often brings disaster to the producer nation.

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Last year, in an attempt to at least moderate such excessive price fluctuations, a group of producer nations—led by Argentina and Indonesia—succeeded in persuading the UN General Assembly to set up a Committee of Experts on International Price Relations. This committee was asked to suggest practical ways of minimizing undue fluctuations in terms of trade between nations producing primary commodities and those making manufactured articles.

To show the chronic importance of the problem, the committee's report to the Assembly listed fourteen previous studies on the same subject, ranging from the 1927 World Economic Conference to the Paley Commission's report to President Truman in 1952.

Two basic methods of reducing instability were suggested by most of these groups. The first is the rather well-known "International Commodity Agreements" device—an arrangement by which participating nations (through their governments or groups of producers) cooperate in setting the range of prices—and sometimes of production—for the commodity covered.

The second method is the "Buffer Stock" device, through which surpluses are taken off the market at a time of overproduction and declining prices and are later made available in periods of shortage and rising prices. The current UN report, "Commodity Trade and Economic Development," gives limited approval to international commodity agreements, but it stresses their drawbacks and limitations. While the committee favors the broad principle of buffer stocks, it goes on to suggest two other measures of general stabilization.

The first, "Contracyclical Lending," calls for greater capital investment in underdeveloped countries in a period of recession. The second, a "Compensatory Scheme," is based on mutual insurance which would provide for payments made between two nations to offset changes in their terms of trade. But the experts struck out into new territory by giving most of their attention to an idea not previously discussed in official studies—the "Composite Commodity Reserve," known also as CCR.

This interesting proposal has two distinguishing features. First, it uses stockpiling as a means of stabilizing the price level of raw materials *as a whole*, but at the same time it recognizes the law of supply and demand by permitting the price of a single commodity to fluctuate on the open market. This is done by letting a governing body acquire complete units (or "baskets") made up of a number of basic commodities whenever the composite price of that unit falls below a stated minimum. Eventually, the *complete* unit is sold—when the composite price advances above a stated maximum.

The second feature is the use of the stockpile of complete units as backing for international money in the same way that gold now backs most currencies—in fact one version of the plan advocates combining these two physical bases into a monetary reserve, 40 per cent in gold and 60 per cent in complete commodity units.

The great advantage of CCR is that it makes the composite stockpile self-financing, since it generates the money to pay for itself. Other buffer-stock schemes have no way of guaranteeing that the necessary funds will always be available.

Should any of these plans be adopted, the US, with its large and growing stockpiles of strategic materials and farm products, would play a major role. Not only would it wield considerable financial power, but American raw material users would be eager to operate on a basis of reasonably stable prices.

The next question, then, seems to be: What effect would each of the plans have on the US economy?

International Commodity Agreements

Originally made between groups of private producers, such agreements have covered a wide variety of commodities. The commonest criticism is that they are a form of cartel.

Most governments—faced with serious declines in raw material prices—have been more or less compelled to take a chance with ICA. In 1946 a charter was drawn up at Havana for an International Trade Organization but failed to win ratification. However, Chapter VI was incorporated into the General Agreement on Tariffs and Trade (GATT) under which most of the free world now operates. The authors of Chapter VI knew from past experience that ICA might be used to keep prices higher than they should be. To prevent this, they proposed that consuming nations should have equal representation with producing nations on the controlling body.

This led to the International Wheat Agreement, which the United States joined in 1949, along with forty-four other nations. When the Wheat Agreement came up for renewal last year, some of the consuming nations—noting the enormous world wheat supply—objected to placing what they considered a high floor under the price of wheat. (The renewal set a maximum price of $2.05 and a minimum of $1.55.) Britain, the chief importing nation, refused to agree to an extension on these terms and Italy failed to validate the signature of its representative.

Despite this typical example of a consuming nation willing to go along with ICA in times of scarcity but balking when markets are oversupplied, strenuous efforts are still being made to put agreements covering other commodities into operation.

The current sugar agreement covers only the "free market," which means that it excludes the important US as well as some other areas covered by special arrangements. An International Tin Agreement (including a buffer-stock provision) was concluded last December but is not yet in operation. Negotiations are now being held on the subject of cotton, natural rubber and wool.

The chief objection to ICA, made in a study done by the Food Research Institute of Stanford University,

How The Commodity Reserve Would Operate

A commodity unit, or "market basket," would be established, consisting of a group of basic storable materials, in quantities that reflect their relative importance to world production and trade. A price level would also be established, around which the value of the composite unit would be stabilized. The table on page 50 shows a $1000 unit which consists of twenty major commodities. Half of the quantities are based on world production, half on world trade, in 1950. The price level given is also that of 1950—i.e., the stated quantities of all the components, taken together, had an average market value of $1000 in that year.

An agency of the International Monetary Fund—such as an International Commodity Corporation—would stand ready to acquire, at 95 per cent of their base value, complete units whenever they were available. It would sell complete units whenever their combined quotations on the world markets rose above 105 per cent of the base. The units would be paid for by credits on the books of the Fund. These would add correspondingly to the "hard currency" resources of the Central Banks of the countries contributing unit components. (Private sellers would be paid just as they are now paid for other exports.) When the commodity units were sold out, the financial transactions would be reversed, and a corresponding reduction would be made both in the commodity assets and in the deposit liabilities of the Fund.

Suitable provision would be made for economical storage of the commodity units, the costs to be met out of the 10 per cent margin between the buying and selling points, and by other arrangements. Countries holding deposit credits with the Fund would have the privilege of retaining equivalent values in complete units, as agents of the Corporation, or of taking over such units in exchange for their money claims. The composition of the unit would be changed from time to time, in accordance with an agreed-on technique, to reflect changes in the relative importance of the commodities.

is that the agreements bear a strong resemblance to cartels. The Institute doubts whether special rules can be devised to prevent domination of ICA by the producing nations, which will use the agreements to maintain high prices on a commodity when the supply and demand situation calls for a lower valuation. Apparently the British think the wheat producers are trying to do exactly this.

The United States, by joining the Wheat Agreement, has given some support to the principle of ICA, but opposition within the government is growing. Washington's main objection seems to be that, by furthering a cartel set-up, we are creating the opposite of a free enterprise society and are, in fact, limiting production and marketing without doing anything to stabilize prices in the long run.

The UN's Committee of Experts is not enthusiastic about ICA for three main reasons.

First, it would be extremely difficult to reach separate agreements on a dozen or more commodities.

Second, multi-commodity buffer stocks would require a large amount of continuous financing.

Third, the comittee says "the management of their price policy would be by no means easy," which, in view of recent British objections to the Wheat Agreement, ranks as a classic understatement.

How The Basket Would Be Valued

COMMODITY	WORLD PRODUCTION (Thousands of metric tons)	WORLD EXPORTS (Thousands of metric tons)	QUANTITY IN $1,000 UNIT (Kilograms)	1950 VALUE OF COMPONENT
AGRICULTURAL				
Rice (milled)	98,100	4,230	1,278	$145
Wheat	143,100	16,900	2,000	136
Corn	130,800	4,250	1,690	94
Cotton (raw)	5,410	20,800	102	81
Sugar (raw)	30,400	8,800	490	63
Wool (greasy)	1,650	1,240	36	55
Coffee	2,190	1,780	50	47
Barley	46,100	2,600	609	36
Rubber (natural)	1,890	1,860	48	30
Peanuts (shelled)	7,000	840	97	11
Copra	2,530	1,490	50	10
Jute	1,460	1,150	33	8
Total	470,730	47,940	6,483	$716
INDUSTRIAL				
Crude petroleum	486,000	133,350	7,750	113
Pig iron	113,100	.....	1,414	68
Wood pulp (chemical)	20,400	4,650	313	41
Wood pulp (mechanical)	11,700	1,020	159	18
Copper	2,270	1,440	46	20
Zinc	2,110	460	45	9
Lead	1,550	780	29	8
Tin	170	130	4	7
Total	619,300	141,830	9,760	284
GRAND TOTAL	1,090,030	189,770	16,243	$1,000

Composite Commodity Reserve

In its report to the General Assembly, the Committee of Experts, having expressed doubt of the soundness and practicality of the ICA concept, then takes up the Composite Commodity Reserve (CCR)—a proposal that has been endorsed by so conservative an economist as F. A. Hayek.

In Hayek's view, the scheme is mainly an extension of the philosophy and technique of the gold standard. The difference is that CCR would cover a wide range of basic commodities instead of a single precious metal with only a limited relationship to the over-all economic process. According to Hayek, the world's production and trade would benefit by extending to raw material producers generally the great advantages now enjoyed only by those lucky enough to own gold mines.

At the same time, world money would also be strengthened by having behind it balanced commodity reserves which would bear an intrinsic value and utility at least equal to that of gold. In effect, CCR would be "sharing the wealth" by giving commodities which are produced by many nations a fairly constant value.

All of this strongly appeals to Hayek. Stanford's Food Research Institute, on the other hand, is attracted by the flexibility of the plan with regard to individual commodities. It feels that CCR provides general price stability without restricting the prices of single commodities, and thus avoids the pit into which ICA falls when it attempts to protect the price of a commodity from changes in the economic picture.

To the UN's Committee of Experts the best feature of CCR is the solution it offers to the problem of financing.

It is one thing to favor the principle of buffer stocks—the "Joseph-in-Egypt" or "Ever-Normal-Granary" technique—as all the recent studies have done. It is quite another matter, however, to fund enough money to pay for a large international stockpile system that would act as insurance against a financial breakdown at a critical stage in the business cycle.

The commodity "units" will pay for themselves, just as a government's gold reserve does, because for each $1000 worth of units acquired by the central agency there will be a corresponding increase of $1000 in the world's money. These units can be regarded as deposits (credits) in the name of the contributing countries on the books of the International Monetary Fund, which is suggested as the most suitable agency to administer the plan.

But, simple as the Composite Commodity Reserve may sound, its future still depends mainly on the attitude of the US. So far we have objected (and thereby killed) various schemes aimed at improving the world's economy because we tend to interpret such measures as drafts on our Treasury.

Because it does not involve substantial costs to the Treasury, CCR may be able to overcome the objections the US has had to other stabilization plans. The factor of cheapness should attract political support. In fact, CCR would permit the US, if it chooses, to convert part of its huge stockpiles of agricultural and mineral products into money, and thus reduce the budget and the public debt—a claim no other plan can make!

In addition to these sizable benefits, CCR would make a start at solving our domestic farm problem by setting a permanent basis of flexible prices for individual products while the over-all price structure remained stable.

And US industry would reap a further gain from CCR. Instead of settling our export balance with weak foreign currencies (or nothing at all), as we are now forced to do, the government would receive for most of the balance a gold equivalent in the form of an international currency backed by basic raw materials.

But CCR has a meaning for Americans apart from its importance to our role as the foremost creditor nation. The United States now holds the largest buffer stocks of assorted materials in the world. At the end of June 1953 we had stockpiled (or ordered) $5.5 billion worth of strategic materials, most of which came from abroad. In addition, we had another $5 billion worth of agricultural commodities grown in the US.

Our government has been moving in opposite directions as it built these enormous surpluses. Abroad, it has been trying to acquire large supplies of strategic materials at the lowest possible price, but at home it

The source of this information is the Statistical Office of the United Nations, as presented in Appendix A of the Committee of Experts' Report. Figures for Russia are excluded from production totals, and Soviet bloc figures from export totals.

The 1950 value of total world production was $66 billion; exports equaled $14 billion. Consequently, to find the quantity of each component in a $1000 unit, we divide the combined total of production and exports by 80 million.

Example: For wheat, production plus exports came to 160 million metric tons. This, divided by 80 million, gives 2000 kilos, which is the wheat component in the unit. Wheat production and exports totaled $11,680 million. This, divided by 80 million, gives $136—the 1950 value of the wheat component—which is equivalent to $1.85 per bushel figured on the basis of current wheat prices.

has been operating a support program based on acquiring only what is needed to keep prices high.

Political considerations being what they are, the Administration is now suggesting that we merge part of our farm surplus with our military stockpile in a combined security reserve. These holdings would be insulated from the market, which should remove some of the pressure from the farm support program by lowering the supply available to commercial users.

This may mean that, in a peculiar fashion, we are backing into accepting the CCR concept, since the suggested merger of industrial and agricultural products into one giant stockpile would go a long way toward creating complete commodity units. These would be available as a basis for international money and, if CCR were operating, would also be both self-financing and potentially self-liquidating.

Famine Follows Gluts

As was pointed out before, periods of commodity surpluses have always been followed by shortages. Under CCR when a shortage (usually caused by crop failure or war) occurred, commodity reserves would flow back into consumption through regular purchases in commercial channels, and the payment received (by the IMF) would be used to cancel the deposit credits originally issued against the reserves. This would complete the cycle of currency creation and liquidation.

It is possible to get a good idea of how the plan would work by applying CCR to the American stockpile. If the US joined CCR, we could, by turning part of our present basic commodity holdings into composite units, convert them into monetary credits carried in our name on the books of the IMF.

The transfer of ownership would mean no loss of physical control, since the commodities would constitute the backing for currency claims *held* by us and it would be consistent to keep this backing within our own borders, as we now do with the IMF's gold holdings. In case of war or any other emergency we could quickly re-establish ownership by surrendering our money claims in exchange for the actual commodities —just as we now surrender dollars for gold.

After thoroughly weighing all of these considerations, the UN's Committee of Experts recommended the establishment of a new UN agency—the Trade Stabilization Commission—which would consider various stabilization proposals in detail and make recommendations to the UN's Economic and Social Council.

One of the basic problems such a commission will have to study is the relative merits and difficulties of CCR and ICA. It is probably safe to say that, in operation, the CCR concept would run into many of the difficulties faced by ICA; the difference is that by putting commodities into a single unit and giving that unit a monetary value, we would obviate the need to work out a lot of price ranges and national quotas.

CCR's adherents feel that, in general, it would bring about an essential reform of the world's money. However, when the rough idea was put forward some years ago, the late Lord Keynes (and some others) felt there would be political difficulties involved in "imposing stability from without" on unwilling nations.

Backers of CCR reply that the plan "imposes" on no nation that doesn't want to be imposed upon. What it does is guarantee that basic commodities (as a whole) will have a fixed value in terms of an international currency—a system that corresponds to the fixing of an international value for gold. Individual nations can accept or reject the results of that stability.

The commodity producing nations that seek internal stability would not be constantly harassed by the feast-or-famine conditions under which they now must make their perilous way toward solvency. On the other hand, nations which feel they should enjoy some of the temporary comforts of inflation or practice the austerity of deflation would be free to pursue whatever fiscal and monetary policies they chose.

American manufacturers would be better able to estimate their production costs because the world economy would be less likely to undergo extreme swings. Some producers of particular commodities, however, among them American farmers, are not likely to welcome a plan that offers them only general price stability and fails to protect them from overproduction.

Oddly enough, understanding of the real problem that CCR attempts to solve starts precisely here: general stability is a sound concept because it assures a healthy economy; individual price freezing is unsound because it ignores supply and demand.

Less Aid Required

It is perfectly true that weak commodities may still need aid even after general instability is eliminated, but they will need less of it. A healthier economy will have fewer disastrous declines, and the proper type of assistance can more readily be seen and agreed upon when viewed in the framework of a stable and expanding economy free from heavy political demands for federal aid.

There is still another obstacle for CCR to overcome. The business world is now extremely leary of building up big inventories. Because of this, some businessmen will naturally regard a commodity reservoir as an addition to commercial stocks and, therefore, as a potential threat to prices and prosperity.

But CCR poses no such threat. What it does is recognize the fact that commodity supplies above ground can be as beneficial to the world as natural resources below ground—*provided* they are insulated from commercial markets and handled so as to promote balanced expansion without costing huge sums in gold-backed currencies. CCR would be a boon to the US businessman because, by stabilizing raw material prices, it would increase prosperity and enable underdeveloped nations to buy more manufactured goods.

How Traders Make Soft Currencies Hard

MINGLING in the double current of goods moving across national frontiers each day is a swarm of shipments that owe their origin to currency manipulation. Known to the experts as "switches," these are the deals in which technically inconvertible currencies are, in effect, exchanged for dollars. In short, switch trade is a way of doing business legitimately where dollar shortages make straight import sales impossible.

A typical transaction might begin with a US exporter hearing from a customer in West Germany that he can no longer obtain dollar exchange from his government to buy the American's product. He can, however, get permission from the authorities to import the goods if they can be paid for in some other currency, say German-owned Brazilian cruzeiros.

The cruzeiros have accumulated from surplus German exports to Brazil. Under the trade agreement between the two countries, this money must be used to buy Brazilian goods. But West Germany has too many cruzeiros, so its exchange control officials will agree to license a deal in which the Brazilian currency can somehow be used to buy dollar goods.

The sale to West Germany is accordingly made and the American exporter is paid in cruzeiros, which are held in Brazil as "German account cruzeiros." His Brazilian exchange broker then sells them for dollars. They will probably be bought by an American who wants to make a payment in Brazil, perhaps for native commodities to import into the US.

Such deals involve some unusual risks. The cruzeiros must be sold at a discount from the official rate; otherwise, no one would buy them. This means that the American exporter must "cover" himself by adding a premium to the price of the merchandise he sells to the firm in West Germany.

Moreover, the rate of discount fluctuates. Although there is a highly organized and active market for these funds, there are few opportunities to guarantee the rate through a "forward" sale. (In more orthodox exchange transactions at official rates, currencies of the major trading nations can be bought and sold for delivery at a standard future date—30, 60 or 90 days.) By this device, a trader can, within certain limits, protect his returns. Here, stripped down to its fundamentals, is an example:

An exporter sells to Britain at a price that is based on a pound sterling worth $2.80. Now he must sell sterling for future delivery. Of course he tries to sell it at the highest possible price in terms of dollars—$2.80. But let us assume that sterling declines in value against dollars. In that case, the sterling the exporter gets from the British firm would be worth fewer dollars than he anticipated when he fixed his export price. But he guards against this eventuality by lining up a man who contracts to buy his sterling at $2.80. As the reader can see from this brief description, such "trades" are so complicated that an independent expert's help is practically obligatory.

These specialists in currency trading are concentrated in the New York financial district. Many of them work for large brokerage and private international banking houses. As a rule, they will handle only sizable transactions.

Hundreds of thousands of dollars' worth of clearing funds are traded every week among these companies. The offerings in a typical week range all the way from Scandinavian-account Japanese yen to Uruguayan-account French francs.

THE switch has been with us for a long time. The traffic reached its peak in the years when sterling sold at a big discount from the official parity rate. Sterling bought on the so-called free markets in New York and other financial centers was used on a vast scale to buy sterling area commodities such as wool and rubber. After the devaluation of 1949, switch trade shifted largely to clearing funds: surpluses arising from payments between countries bound by bilateral agreements.

For the last several months, because of the general improvement in the economic position of Europe and other principal trading areas, switch deals as a whole have shown a tendency to contract. Paradoxically, however, as switch trade declines, more and more American exporters are looking into the possibility of using inconvertible currencies to maintain their sales in the face of growing competition. Currency brokers think business may soon pick up.

TRADE channels quickly shift as opportunities peter out in one area, open up in another. The country which licenses the transaction (or tacitly approves it) profits by exchanging less valuable for more valuable currencies.

The other country, whose own currency is involved, is inclined to view switch trade with a jaundiced eye. First, its currency is being sold at less than its official value, and second, it may be used to buy products which could be sold for dollars. In the German-Brazilian deal mentioned above, the second American who bought the German-account cruzeiros could use the funds to import a Brazilian product he would normally pay for in dollars. In this transaction, his dollars actually went to the US exporter to pay for an import by Germany. Brazil thus made a sale to the US, but in return received only a reduction in her commercial obligations to the West German republic.

Several months ago, Sweden was authorizing transactions in Argentine pesos which she had accumulated. The two governments signed a new trade agreement that ended these deals. Not very long ago it was possible to buy Japanese silk through Finland. Japanese authorities halted this trade. But at the same time, Japan was reportedly willing to license transactions to work off its balances of Latin American currencies.

The stops and starts, however, are only the surface changes in a trade that the experts are convinced will continue as long as key currencies remain inconvertible and nations find themselves with soft money that cannot buy the goods they need.

—JEROME OELBAUM

Israel Makes Concessions To Foreign Investors

TEL AVIV

Leaders of the Israeli government are continuing to stress the free enterprise aspect of the state's economy in an effort to attract foreign capital, despite the conflict that the term "free enterprise" creates between the two leading political parties: the socialist-minded Mapai (Labor party) and the advocates of a free economy, the General Zionists.

Levi Eshkol, Minister of Finance and one of Mapai's top three leaders, stated official policy when he said: "The Israeli government needs and wants a maximum number of private investors to come to our country and to share in its development."

In carrying through this policy, dollar-short Israel is offering private capital investors a special exchange rate of 1.8 Israeli pounds to the dollar. Imports of essential commodities are paid for at the rate of £1 = $1. In another concession to overseas investors the government allows annual repatriation of up to 10 per cent of capital invested.

Granting the cumbersome red tape connected with foreign exchange remittances, Peretz Bernstein, Minister of Commerce and Industry, admitted that some degree of administrative interference was unavoidable, since government controls on foreign exchange still exist and foreign investment is permitted only on a selective basis.

Heading the government's list of industries most in need of foreign investment is textiles, which require an estimated $16.6 million; followed by metals, $12.5 million; chemicals, $8.4 million; and foodstuffs, $3.6 million. In addition, Americans might be able to invest in such fields as ceramics, glass, rubber, wood, leather, building materials, cellulose and paper, and printing.

Potential investors in Israel may have been discouraged by the preferential treatment hitherto given to enterprises owned and controlled by Histadruth, the powerful trade union organization. Private vs. public financing has been a bone of contention between Mapai and the General Zionists, with the government committed to a policy of equal treatment for both groups.

With an eye to luring investors from abroad, however, the Minister of Commerce and Industry has issued this statement: "There may have been trends in the past which in principle preferred investment through public channels, but the government has come to the definite conclusion that private investment should be attracted and facilitated by all means at our disposal. It can and should play, in the further upbuilding of this country, an ever-increasing part."

Denmark Says Charity Begins at Home

COPENHAGEN

The recently elected Social Democratic government has shown no desire to encourage foreign participation in Denmark's economic life. Most major companies are old established family houses which go to Swiss or other European sources for new capital funding.

All foreign currency transfers are controlled by the Danish National Bank through a permit system. Special rules, however, exist for transferring funds between Denmark, Norway, Sweden and Britain; investors already operating in those countries may be able to profit by them.

Although exports hit a new high in 1953, the Danes still had an import surplus of 648 million kroner ($95 million) by the end of October. Danish exports, of which butter, cheese, eggs and meat accounted for 60 per cent, totaled some five billion kroner ($750 million) during the first ten months of the year, but imports amounted to more than 5.6 billion kroner. The hardest fact of Danish industrial life is that all fuels and basic raw materials must be imported—a deterrent to foreign manufacturers.

US investment in Denmark today is valued at about $30 million, two-thirds of which is in the petroleum industry, and the bulk of that in refining and distribution. An estimated $8 million is tied up in the assembly of automobiles and farm machinery, and tobacco processing.

Danish economists feel that the assembly business is probably the best bet for US-backed expansion provided parts can be obtained from non-dollar sources, such as West Germany. Import duties are low—they average less than 4 per cent—and labor costs are reasonable.

The $64 Question

The big question for US investors is: Does the increasing mechanization of Scandinavia justify such expansion? Some observers think the answer lies in more licensing agreements. Under these agreements Danish firms are allowed to use American techniques and processes, but few licenses have been granted in recent years.

Good investment opportunities exist for US life and indemnity insurance companies, but the government allows each company only one agent, who must be Danish. Moreover, the company has to post a bond of 100,000 kroner and promise in return to allow a Danish firm to operate in the American's home territory—no easy thing to guarantee because of the difference in state laws.

With the US so active in Greenland, there has naturally been talk of mineral development of that deep-frozen Danish appendage. But, as far as can be learned here, it has not gone beyond the talking stage. A government concession undoubtedly would come high, and exploration costs could well be prohibitive for even the wealthiest American syndicate.

Though the Danes grossed $50 million in exports to the US in 1953, that is just a fraction of their total trade income. It could be greater, Danish exporters point out, if the US would lower some of its tariff barriers. Until that happens, Danish businessmen and their government are likely to continue to discourage large-scale American investment in Denmark.

Turkey Goes All Out To Attract Capital

ANKARA

Because of the scarcity of local private capital and the slackening of credit, the Turkish government wants to encourage investment from abroad. With the aid of US economic advisers —Clarence B. Randall in particular— the Turkish government has formulated a new draft law that will allow foreign investors to remit profits and repatriate capital up to 100 per cent. Under the 1951 regulations annual remittances were limited to 10 per cent of the original capital investment (with certain exceptions), and withdrawals in full were permitted only after five years.

Now under consideration by the Grand National Assembly, Turkey's unicameral legislature, the new draft law assures foreign investors equal treatment with Turkish businessmen, provided the investment aids the country's economic development; convertibility of dividends and sales of stocks abroad is guaranteed, with arrangements to facilitate sales of Turkish shares and stocks abroad; and the government is pledged to remove restrictions on the employment of foreign technicians, managers, and other employees.

Especially attractive to potential investors are the abundance of raw materials, reasonable wage scales, moderate production costs, and taxes which are lower than in any Western country.

Under the Democratic party, Turkey's internal development has been speeded up in the past three years. National savings have doubled and government revenue has risen by 60 per cent; production in agriculture, mining, and industry has doubled.

Individual industries reflect the lively tempo of economic expansion: cement production in 1953 was more than a million tons compared with 395,000 tons in 1950. Seventeen new cement factories are being planned by a private concern—the Turkish Cement Industry Corporation; this will boost annual production to two million tons. Annual sugar output has doubled, to 200,000 tons, and nine new factories are already under construction.

During the past year mineral production rose from 720,000 to 1.6 million tons; textile factories are expanding their facilities and expect to have 800,000 spindles operating in 1954, compared to 176,000 in 1950.

The government has also added to the country's power output by new hydroelectric installations which will furnish two billion k.w.h. by 1955, compared with the 790 million k.w.h. that were available in 1950.

Opportunity, Unlimited

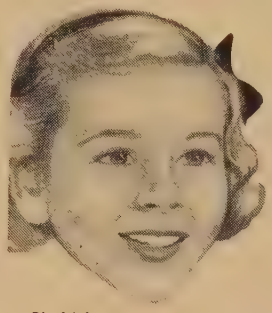
In view of Turkey's current efforts to maintain her balance of payments, US investors probably will be most welcome in fields where substantial savings in import costs can be made. At present heavy duties are levied on machinery, iron and steel manufactures, transport equipment, vehicles, and agricultural implements. The lack of trained, or even mechanically minded, labor in the engineering, iron and steel lines may be remedied by the new draft law, which lifts restrictions on the employment of foreign technicians.

Other fields US investors would do well to consider are the manufacture of tires, chemicals, plastics, paints and dyes, cotton piece goods, glass and other building materials. There should also be openings in food processing and refrigeration, since most food exports are shipped in the raw or dried state for handling by foreign importers.

The government points out that the major portion of Turkey's rich natural resources are still far from adequately exploited, and that these offer the most productive and profitable fields for new foreign investors.

With the incentive of favorable investment laws and the optimistic picture presented by Turkey's expanding economy, US investors might pay attention to the official American view as stated by Clarence Randall after his study of the country: Turkey offers one of the most attractive fields that exist for American investment today.

Communist machine-gun fire dropped him in combat. But whole blood kept him alive, saw him through the hospital. He thanks you for his life.



She'd been exposed to polio. A new serum, *Gamma Globulin*, made from blood, helped ward off the dread disease. She thanks you for her life.

A tornado whipped suddenly across her home town. She was badly injured by falling debris. But a quick operation, several transfusions pulled her through. She thanks you for her life.

Three grateful people say: "we're HERE... because you were THERE!"

NATIONAL BLOOD PROGRAM

GIVE BLOOD

...give it again and again

Are American Investors Missing the Boat?

By Paul A. Samuelson
Professor of Economics, M.I.T.

During the nineteenth century investment abroad flourished. England, the richest industrial country of the world, was able to save part of her national product. She sent part of her savings—along with her younger sons—to the far corners of the earth where more could be earned than at home. England benefited—and so did the economies of such underdeveloped countries as the United States, Canada, Australia, and Argentina.

If the United Nations had then existed, its committees would have approved of this rational development of the earth's surface. More remarkable to us today, the British bondholders approved of the process. And as they placidly clipped coupons over the decades, the tiny British Isles were able to provide a broad market for the produce of the new lands.

What if a conservative nineteenth-century economist were to come back to life? What would Walter Bagehot, that brilliant English banker, editor and stylist, think of the modern world. Upon opening his eyes he might say: "You tell me the United States is the richest industrial country. I should judge that it has high thrift. I should judge that it has pushed capital investment at home, so that it possesses much machinery and elaborate plant.

"Undoubtedly, the return on domestic investment has fallen below the profits to be earned by investing in the capital-poor countries. So thousands of millions of dollars must be going out every year from the United States into foreign countries. I imagine your school children are adept at many languages. Everywhere in the world at five o'clock the cafés must be full of American businessmen drinking a discreet aperitif."

Suppose Karl Marx came back to life. He might say: "You tell me North America is the most productive continent in the world. Undoubtedly, the scientific laws of economic development have long been in force, and revolution has produced a classless society. Extra machinery will be most productive in the capital-poor regions. The world state, which by 1954 must have all but withered away, is inevitably channeling capital formation into the backward regions. This capital enables them to produce more; and part of the extra product can go back to North America—until the day finally comes when no part of the world is underdeveloped. World produce will then be at a maximum, the millennium will have arrived. . . ."

The latest Department of Commerce reports on foreign investment would shock both Bagehot and Marx. Americans clipped few foreign bond coupons last year, and some they clipped only to paste them on the walls of their basement gamerooms. Except for Canadian issues, Americans bought very few foreign common stocks. American corporations did explore abroad for raw materials, and—with aid of local peoples and local capital—did operate branch factories abroad. American technicians, on a temporary basis and unaccompanied by American capital, did demonstrate our know-how and productive techniques to foreign producers.

However, the bulk of foreign investment represented governmental investment, either in the form of loans from the Export-Import Bank or loans from the International Monetary Fund. But completely overshadowing private and public investment was US government foreign aid, which by 1954 was largely in the form of military assistance programs.

How are we to explain the low level of foreign investment in the last quarter-century? What can be done about it?

In my view, the basic economic advantages of foreign investment are as great as or greater than they have ever been. The same factors that make investment by New Englanders in Texas profitable should apply to American investments in Europe and elsewhere. The basic difficulty seems to be political. Nationalism, whether democratic or despotic, simply does not permit me to exploit profit opportunities abroad wth the same security as at home. Texans may hate damyankees but they cannot prevent me from investing my money and—if I wish it—owning in perpetuity a piece of Texas. If bad times come, I can send the bailiff down to Texas to collect my debts. But the day is past when an American destroyer can appear off the coast to enforce similar collections from abroad.

Nationalism we shall continue to have with us. Nevertheless American investment abroad is so advantageous both to the lenders and to the receivers that we must learn to forget the collapse of our foreign investments which took place in the depressed thirties. It is my firm view that foreign investment is so small because *we have lost the habit*—lost the vital contacts and sources of information which alone make sizable investment possible.

It takes time to recover old habits, and the habit of foreign investment is no exception. But the promised rewards—both pecuniary and social—justify the effort. Certainly the modern American operating corporation is a natural instrument for foreign investment. It is a much better pooler of risks and know-how than the great banking houses of Rothschild and Morgan ever were able to be in the past.

Warren Lee Pierson: Orthodox, Liberal, Realist

FOREIGN trade is the strongest bond between nations." This is the belief and guiding principle of rugged, fifty-eight-year-old Warren Lee Pierson, chairman of the US Council of the International Chamber of Commerce and chairman of the board of Trans World Airlines.

Pierson started to oil the machinery of world trade back in 1933 when he gave up his Los Angeles law practice (he is a graduate of Harvard Law School) to act as special counsel to the Reconstruction Finance Corporation. The following year Roosevelt asked him to assist in extending a government loan to Russia, and Pierson's career as financial ambassador to the world had begun.

Because Stalin welshed on the Kerensky debt, the loan fell through, but Pierson was kept on to negotiate a similar loan to Cuba. He suggested that a permanent Export-Import Bank was needed to help finance international trade with US funds, assisted in preparing its original articles of incorporation, and became its first General Counsel. In 1936 he was made president, a position he held until 1946.

During these years Pierson was a regular attendant at international conferences devoted to the problems of world trade and investment. In 1944 he was adviser to the US delegation to the Bretton Woods Conference, it was at this meeting that the international monetary and financial institutions were created which have helped to keep postwar commerce alive. From 1940 to 1945 he was a member of the Inter-American Financial and Economic Advisory Committee, and in 1945 he advised the Inter-American Conference on Problems of War and Peace at Mexico City.

Soon after the end of World War II Pierson decided to join the ranks of those he had done so much to help —international businessmen. He went to work as president of the holding company for the largest single group of communication carriers under unified United States ownership—American Cable and Radio Corporation.

When he became chairman of the Board of TWA two years later, he faced the first real test of his business acumen. TWA, having lost $13,666,000 in 1946 and $8,080,000 in 1947, was in bad shape. Under Pierson and TWA's able new president, B. S. Damon, the company soon began to pay off debts instead of making them. It netted more than $7,660,000 in both 1951 and 1952. In addition to his services as a financial expert ("if there *is* such a thing") Pierson enlivened the organization by such imaginative procedures as his world-circling flight in search of new air routes which gave TWA the Bombay-Colombo run.

HIS great success in running an international business matches his accomplishments as a banker-diplomat. It was inevitable, therefore, that he should be chosen to lead organized business in its struggle to improve world trade conditions. In 1947 he was elected president of the International Air Transport Association, an organization of sixty-six scheduled worldwide airlines, and in 1953 was named chairman of the US Council.

To the latter post Pierson brings realism born of long experience. "Probably I'm an orthodox old fogey," he chuckles. He believes that foreign nations must improve their behavior to investors if private US capital is to go abroad. As a practical example he cites Brazil's treatment of foreign utility companies in keeping their rates down despite the debasement of the cruzeiro.

He is convinced that the complexity of US customs procedure and our uncertain methods of classification and valuation for customs purposes are a far greater deterrent to trade than the tariff.

He does not hold with the idea of US-financed convertibility funds, believing that countries must increase production and regain confidence in their own currencies if attempts at full convertibility, with or without the support of a fund, are not to result in a flight of capital to the dollar. He points to the resumption of German debt payments, and the confidence this has given the Germans themselves, as an important factor in the increasing convertibility of the deutschmark. Pierson himself was a powerful force in this achievement as US representative on the Tripartite Commission on German Debts, a service for which he has never received full credit.

East-West trade does not scare him. He believes that the traditional pattern of trade in Europe, now broken by the cold war, is bound to emerge again to the benefit of all concerned.

He thinks the Randall Report might have gone farther than it did to point the way toward a liberal US foreign economic policy. He stresses its importance, however, as a liberal, Republican document—two adjectives most Europeans never expected to see in tandem.

PIERSON cultivates an austere manner. Acquaintances often find it takes an extra-dry martini to break through this sound barrier. TWA employees, not being able to take advantage of this procedure, are terrified of him.

His convictions have classical roots. In the nineteenth century two English parliamentarians, Bright and Cobden, argued that, where chancelleries often divided nations, businessmen, because of their common interests, could weld them together. Warren Lee Pierson has spent the last two decades of his life trying to prove the soundness of this hopeful contention.

Index for World

	FREEDOM TO MANAGE	DEGREE OF TAXATION	TRANSFER-ABILITY	PROPERTY SECURITY
	OWNERSHIP LIMITS POWER TO HIRE BUSINESS CONTROLS IMPORT-EXPORT LAWS	TAX RATES ADMINISTRATION DUTIES EXCHANGE RATES	INTEREST DIVIDENDS PROFITS CAPITAL	NATIONALIZATIO EXPROPRIATION CIVIL VIOLENCE COMPENSATION
	Weight	Weight	Weight	Weight
	22	16	9	3
VENEZUELA	13	12	8	3
EGYPT	15	11	5	2
PHILIPPINES	15	13	4	3
NETHERLANDS	20	10	7	3
AUSTRALIA	17	8	7	3

WITH the Index for World Investment potential investors can choose, quickly and accurately, the country which best suits their business, and then proceed toward more detailed analysis. Factors on the left-hand page concern possible political drawbacks that every businessman should investigate: Can I operate the way I do at home? How will I be taxed? Can I remit profits in my own currency? Will my property be safe? These factors are given a total

Investment

WORLD Chart

NDUSTRIAL FACILITIES	PRESENT MARKET	OPERATING PROFIT	MARKET FUTURE	TOTAL WEIGHT	NATURAL FIELDS FOR INVESTMENT
LED LABOR NSPORTATION ER & MATERIALS ER FACILITIES	PER CAPITA INCOME LITERACY HEALTH PRODUCTIVITY	RETURN ON SALES LABOR COSTS COST OF MONEY MATERIAL COSTS	DIVERSIFICATION STABILITY DEVELOPMENT GROWTH POTENTIAL		
Weight	Weight	Weight	Weight		
7	19	19	5	100	
4	13	17	3	73	*Construction machinery, agricultural implements, extractive industries, industrial chemicals, primary iron and non-ferrous metal-working industries.*
2	12	13	2	62	*Agricultural tools, textile machinery, food processing, electrical supplies, medical supplies, pharmaceuticals and medicines, paper, household goods.*
2	11	18	4	70	*Extractive industries, construction materials, household appliances, fishery and forest products, paper, chemicals and medicines, textile equipment.*
7	15	17	3	82	*Precision machinery, equipment and parts, electro-technical machinery and parts, plastic products, marine equipment and supplies, food processing.*
3	16	16	5	75	*Agricultural equipment, electro-technical machinery, plastic products, textile machinery, construction equipment, household goods, food processing.*

weight of fifty. Balancing them, on the right-hand page, are factors that measure the economic attractions for his investment capital, also given a weight of fifty. Because every businessman has his own particular investment requirements, the individual factor scores accorded each country are far more significant than its total weight.

Address inquiries to WORLD, 319 East 44th Street, New York 17, New York. (©World Events Magazine, Inc., 1954.)

Atomic power for industry is as real as the Nautilus.

Here's a new organization that can tell you all about . . .

THE ATOM IN YOUR FUTURE

By MARK STROOCK

SLOWLY—almost imperceptibly—US industry is gliding into the atomic age. The proof is that American businessmen have recognized the necessity of setting up a trade association that will tell its members how to use fissionable material in manufacturing.

The modest beginning of the Atomic Industrial Forum, a non-profit organization which promises to become a major center of activity for US industry, is in a six-room suite on New York's Madison Avenue. There Charles Robbins, executive manager, and a six-man staff prepare bulletins, arrange meetings and answer members' questions about the application of atomic energy to industry.

The Forum started operations in mid-1953 and by the middle of January it had enrolled more than 55 companies and 180 individual members. Fees range from $50 a year (for a college) to $2000 for a company with annual sales or gross revenues of more than $100 million.

Some members are interested primarily in keeping up with progress in atomic power plant construction. Others are concentrating (like RCA) on the use of transistors to convert atomic energy into electricity. Most American manufacturing firms, however, are companies that will eventually buy power produced from fissionable material; not many will actually take part in its development, any more than most of them participated in the research and pilot plant operations in the early days of hydro-electric power.

A great many manufacturers can benefit from the use of tracer materials produced when a substance is exposed to radiation. Tracers perform as effectively as X-rays—and more cheaply. Although much research remains to be done before they can be used in all industries, manufacturers can profit from the data now available—information which the Forum will give its members.

For example, a lot of work has already been put into the use of radioactive isotopes. The rays given off by isotopes penetrate matter and can be controlled to prevent any change in the structure of the substance under examination. In the metals-working industry it is now possible radioactively to inspect castings, forgings and welds for possible flaws. Since a cardinal law of mass production is that the fewer imperfect items turned out, the lower the cost per item, this new method of quality control should be invaluable in keeping the manufacturer's price down.

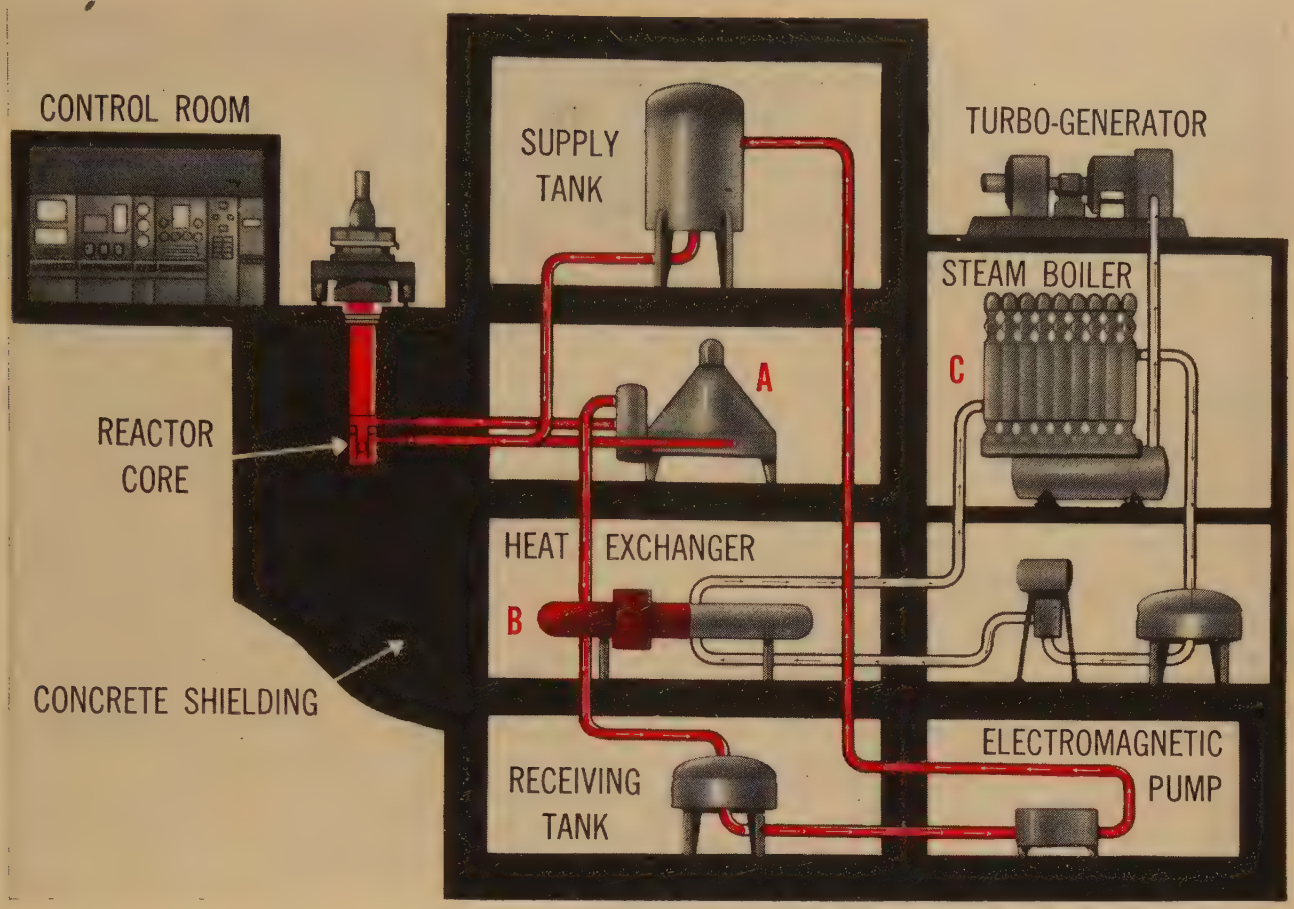
THE technique of using radiography is relatively simple. As explained by Dr. William A. Bain, assistant director of research and development for the Vitro Corporation of America, a radioactive isotope is set on one side of the piece of metal to be inspected; a photographic film is put on the opposite side. Radiation penetrates the metal being tested in proportion to its thickness. If there is a void in the metal, more rays will penetrate the spot where it occurs; hence the photographic film will turn darker at this point than at the places where the metal is solid.

Isotopes have a further application to cost control—the tracer technique. When material is made radioactive, the atoms are "tagged"; they can be identified by picking up the radiations with a counter. The isotopes are then used as tracers to follow the flow of a fluid or the course of a chemical reaction, to locate leaks in pipelines and to determine the settling rate of a substance in a state of liquid suspension.

According to Dr. Bain, there are many ways of using isotopes in physical measurement—for example, to determine thickness, height and density. One of the most interesting applications is the use of radioactive iron to measure piston wear in internal combustion engines. Piston rings are irradiated in nuclear reactors so that a minute fraction of the iron they contain is made radioactive. These rings are then assembled in a standard test engine, which is run under the desired conditions. As the ring wears, the iron that is worn off remains suspended in lubricating oil; the radioactivity in the oil will be in direct proportion to the amount of wear in the piston ring.

The manufacturer can now judge the quality of the alloys he is using. If they don't measure up to his standard, he replaces them with others that will stand up longer and perform more efficiently, thus giving him a better product. Since this method of quality control is simpler and faster than older techniques, it will also lower the manufacturer's experimental costs.

Another of the Forum's functions is to keep its members abreast of advances in nuclear power. Considerable study is being devoted to power plants that will use uranium or thorium for fuel. The successful utilization of the



This maze of pipes and mysterious apparatus is a diagram of a power reactor designed on the breeder principle. It not only supplies power but also creates sources of power by breeding new supplies of fissionable material. In this reactor, a molten mixture of sodium and potassium (called a "coolant") moves from the supply tank to the reactor core. The heat from the fissioning process in the core heats the coolant ("A"), and the coolant moves out to a heat exchanger, ("B"). From there the radioactive material returns to the reactor core via the receiving tank, electromagnetic pump, and supply tank. This leaves a source of non-radioactive energy (heat) which moves from the heat exchanger, ("B"), to the boiler, ("C"), where steam is produced to provide the power to operate the turbo-generator. In other reactors the primary coolant may be water, heavy water, sodium metal, or air, but whatever the coolant, fissionable matter produces the power.

gas diffusion process for concentrating U-235 at Oak Ridge, Tenn., Paducah, Ky., and Portsmouth, Ohio, has made it possible to produce atomic fuel in any desired concentration.

The Atomic Energy Commission indicates that U-235 in pure form represents our primary fission fuel, at an estimated cost of around $9,000 a pound for an energy content equivalent to about three million pounds of coal. Thus, in its most expensive form, U-235 costs no more than a $6 ton of coal, which means that atomic fuel is cheaper than coal in the US if delivery points are far from the mines, and much cheaper than coal in many other parts of the world.

Breeder reactors, however, are an improvement even on the U-235 process. In breeder-reactor plants (see drawing) the atoms are processed so that instead of dissipating their own strength, they create new "synthetic" atoms—in other words, while they are being used they are giving birth to new sources of fuel.

Such power plants are not a vain dream. Commercial atomic power in England may be no more than a year and a half away, and even now lights are being lit and machinery operated by energy unleashed by the atom at test plants in the US. At England's Harwell, buildings are being heated by atomic energy. Here at home, the AEC has told Westinghouse to go ahead with a 60,000-kilowatt nuclear power plant that will provide sufficient electrical energy for a city with a population of from 75,000 to 100,000.

While the Forum's experts estimate that within ten years atomic materials will be an important source of power in the US, the greatest problem for most manufacturers in the atomic field today is how to acquire the knowledge that is already available. The Atomic Industrial Forum is supplying one good answer by trying to improve the quality of the manufacturer's product and cut his prices. Its aim is twofold: to enable manufacturers to keep their present markets, and, through application of these new industrial techniques, to raise the standard of living of the American people.

They Help You Sell Abroad

McGraw-Hill Investigates Markets in Seventy Countries

By Elliott Haynes

When Remington Rand received complaints several years ago that some of its overseas branches were paying fatter salaries than others, it swiftly restored harmony by instituting a salary survey in twelve countries to discover the cause and the cure.

The survey was made by Overseas Business Services (OBS), a unit of the McGraw-Hill International Corporation, and is typical of the global trouble-shooting-cum-market-research activities of this youngest member of the McGraw-Hill family. "We're sort of running our own home-made Point Four," the organization explains. "American industry increasingly is looking for materials and markets abroad. So are industrialists in other nations. We feel that we are in the vanguard in providing an instrument with which business can go abroad safely and profitably."

To back up this statement, OBS points to its representatives in seventy countries who provide almost every service required by companies in international business. The organization briefs the traveling official on the business conditions he will find abroad, welcomes him on his arrival, arranges a cocktail party to present him to the local press, and generally serves as his public relations counsel. Weightier OBS functions range from an extensive translation service to a practically limitless variety of market surveys. The latter absorb most of the organization's interest and provide the bulk of its income.

Since its inception in 1949, OBS has made approximately seventy-five studies for some forty clients, most of them American firms eager to expand sales abroad. Could OBS obtain data on the market in India for machine tools? Could it investigate distribution problems for chemicals in Venezuela? What are the best countries in which to locate branch plants? Where can we find good sources of raw materials abroad? What are the best firms for us to license to make our product? Our foreign distributors tell us our price is too high; is this really the case?

Few questions are too difficult for OBS. Occasionally, however, it receives proposals that exceed its powers. One suggestion came from an enterprising trader who wanted the organization's help in smuggling embargoed pepper stocks out of Malaya to plant in Central America. Another was touched off by the story in McGraw-Hill's own *Chemical Week* that Hungary had started producing terramycin. The US producer of antibiotics, Chas. Pfizer & Co., saw the item, took a fast look at its own patent, and asked McGraw-Hill to substantiate the steal. The company was willing, but could find nothing more than the original story in a Budapest newspaper.

Even the Soviets have called on OBS. The only request to date came through a Dutch exporter who wanted information about the US market for—among other things—potash. Russell F. Anderson, director and moving spirit of the organization, doubted that a West European country could export this mineral, and found that the Dutchman was a blind for an East German trading firm. Though a check with Washington showed no illegalities, Anderson decided not to encourage Soviet exports to the US. He set a forbidding price on the survey and the Communist client withdrew. OBS is expecting new market research requests as part of the current Soviet trade drive, and feels it might take a whack at such assignments.

Many requests are pushovers, like that from the American manufacturer whose workers were grumbling over wages and working conditions. A majority were first or second generation Yugoslavs, so the management hotfooted it to OBS and asked for a breakdown of Tito's labor regulations. OBS merely searched out and translated the documents, but the workers quickly got the point.

OBS' market surveys usually follow a more traditional pattern. Its favorite example is the study done for Becton, Dickinson & Company, US manufacturers of medical equipment. This firm asked OBS if there

Toughest country *for market research is India, where people are scared of interviewers and falsify their answers to escape as quickly as possible. Here, OBS representative W. Gordon Graham queries food vendors at a Bombay market.*

was a market for syringes in Brazil. OBS knew that in the US they were in demand by, among others, drug addicts, but a study disclosed that syringes were as common as household thermometers in Brazil because Brazilians injected themselves with penicillin at the first sneeze. People queued up every day in drugstores waiting to be jabbed in the posterior, assembly-line fashion, as protection against colds. Though the market was obviously ripe for sales, the OBS study showed that the company could do best by manufacturing locally. Becton, Dickinson expects to act on this information in the future.

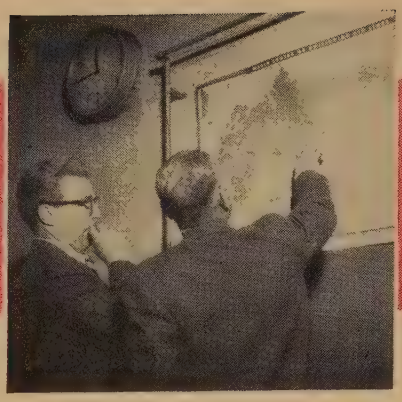
OBS feels a profound responsibility for its surveys. They are the basis for important decisions which could spell the difference between corporate success and failure. As an illustration, OBS cites the American manufacturer of construction equipment. This company employs 1000 workmen, exports to 46 countries, and grossed in the neighborhood of $20 million in 1952. During the thirties its overseas business edged domestic sales, but today foreign sales account for less than 5 per cent of the total. The management is trying to raise this percentage, believing its company—like companies in general—must expand or die.

Looking the field over, the company wondered if it couldn't increase its sales in Mexico. Its foreign distributors worked independently, investigating the market and placing advertising as they saw fit. Its dealers in Mexico were allowing competitors to outsell them.

In all its thirty years overseas this company had never retained a professional market research agency. Now, faced with a grim situation, it decided to call on the knowledge of its veteran salesmen. No such salesmen were available in Mexico at the time, so the company, an advertiser in several McGraw-Hill International publications, turned to that organization's OBS.

There were two main questions: Was there a larger market for the company's product in Mexico? If so, how could they capitalize on it? On this broad basis, OBS drew up a plan for a detailed survey. It then informed the company how long it would take to com-

McGraw-Hill Market Research in operation



Company *that wishes to expand abroad gives OBS general idea of kind of market research needed.*

OBS experts *in New York draw up a detailed questionnaire, set price.*

plete the survey and quoted an approximate price, allowing itself a 10 to 15 per cent leeway up or down. Had the firm balked at the fee, OBS could have narrowed the scope of the survey and reduced the basic figure.

When agreement was reached, OBS sent the final questionnaire to its representative in Mexico, together with instructions on how many interviews he should conduct with wholesalers, retailers, and so forth, as well as a budget to be strictly observed. In turn, the representative hired interviewers, collated the material as it came in, and sent the results back to New York six weeks later. OBS then analyzed the data and suggested that the company could jump its sales by manufacturing in Mexico. On receiving this report, the company felt that more interviews were needed, and OBS spent another month questioning its Mexican representative by cable, a service for which it made no extra charge.

Although they do not plan to act on these findings right away, the officials of the company are pleased with the thoroughness—and inexpensiveness—of the survey. Had they sent employees to Mexico on their own, the cost, they feel sure, would have been a good deal more than the OBS fee of $3800.

Help for Foreign Clients

Only 10 per cent of OBS' clients come from abroad. Some 50 per cent of these are interested in learning American business practices for use in third markets. Those who want to crack the US market have found OBS extremely useful. Our wholesale system is unique, and foreign firms need to learn how our manufacturers gear into it, what discounts are allowed, etc. Again, the free services American distributors are prepared to give their customers amaze foreigners and incline them to compete only on the manufacturing level. With OBS to help them, they stand a far better chance of entering the US market successfully.

OBS does not know of any fiascos experienced by firms acting on its surveys, but neither can it boast many resounding successes. Of course, it has saved a number of clients both money and heartache by dissuading them from undertaking unsound projects.

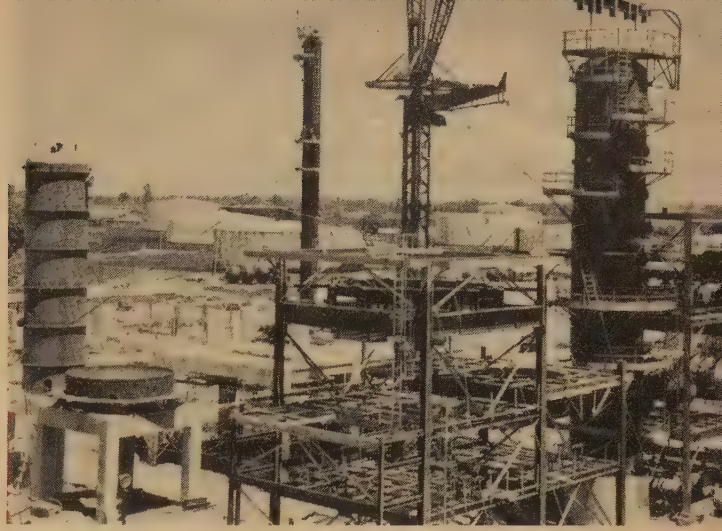
Mexicans, for instance, wondered whether they should try to revive their falling sales of candelilla wax in the US. OBS found that they could not hope to compete with US synthetics at the prices they had to charge. Similarly, the organization has warned a number of hopeful US exporters that local producers in the foreign markets they were eyeing already had streets knee-deep in their product. One US exporter, whose distributors in Brazil were refused import licenses, requested a survey. He wanted it to show that there was a shortage of his product, and that this was creating a hardship for the population. The survey was to have been used to sway recalcitrant Brazilian trade officials—but unfortunately it disclosed an overabundance of the product in question.

OBS claims that it learns only "by chance" whether —and how successfully—a firm acts on the data it provides. One success story it *does* know about concerns the $25 million refinery that soon will open in Barranca, Colombia. It was engineered by the Foster-Wheeler Corporation of New York for the Colombian government, and its location and capacity are the outgrowth of a survey of Colombia's petroleum needs through 1965 which OBS made for both parties several years ago.

Because international market research is a brand-new business, it is difficult to evaluate the services of OBS. The organization boasts, in fact, that it has no competitors. The New York advertising firm of J. Walter Thompson, though in no sense a competitor, maintains international market research facilities that offer an interesting comparison with those of OBS.

Both groups fix their fees on the same basis. OBS surveys range from $25 (for a spot price quotation abroad) to $15,000 for the Colombian refinery study,

Field interviews *are held, data collated and sent back to the New York office to be analyzed.*



Client company *acts on information as it sees fit. Above: new refinery going up in Colombia following favorable OBS forecast of petroleum consumption through 1965.*

while Thompson investigations run from $10 to $150,000. The $150,000 figure, which Thompson has charged a number of times, indicates that its market research facilities are considerably more extensive than those of OBS.

These facilities also seem to be more professional. Thompson usually has trained researchers in each of its twenty-seven branch offices around the world who devote themselves full time to market research. OBS, in comparison, has only seven foreign "bureaus"—which usually means one full-time business journalist—and the rest of its hundred-odd representatives work only part time. Of these, sixty to seventy are correspondents for the McGraw-Hill publications. OBS asserts that these correspondents are familiar with business problems, and that, in any case, market research is an "acquired" skill.

The two organizations conduct their surveys in the same manner, with one exception. Where a survey requires special knowledge, say in engineering or medicine, OBS will take on the job and retain an engineer or doctor, or farm out the work to a local research outfit proficient in the field. Thompson, on the other hand, will admit its inadequacy for the job and suggest at least two specialists, letting the client make his own choice.

Biased Market Studies?

The claim has been made that J. Walter Thompson's market research is biased: the agency wants to place advertising abroad. It is true that Thompson's research facilities are available (except for the London branch) only to its accounts, but the firm's reputation for objective market analysis has never been questioned.

A similar bias, and a similar reputation for objectivity, can be attributed to OBS. The services division of McGraw-Hill International, of which OBS is the latest addition, was started twenty-five years ago as a "plus" to advertisers and prospective advertisers in International's seven foreign-distributed magazines. These advertisers would say, in effect: "Show us that a market exists in the countries where you distribute your magazines and we will be glad to advertise in them."

International's services, such as its "trade counselors," were a direct outgrowth of this demand as, to a lesser extent, was OBS. In 1945 McGraw-Hill decided to organize a foreign news network to gather business, technical and scientific information for its chain of thirty-eight magazines. The larger US firms soon became aware of this network and began asking for help of a type that amounted to market research. McGraw-Hill handled these requests without charge and wrote them off as promotion, but they finally grew so burdensome—and reflected such a need on the part of American industry—that it decided to form its Overseas Business Service. Although the infant has grown rapidly, with billings doubling each year, OBS is not meant to be a large money-maker. "It comfortably pays its own way," Anderson reports.

Proof of the fact that advertising is still king at McGraw-Hill, and that all other operations—including OBS—are subordinate to it, is seen in the company's income figures. Gross sales of all McGraw-Hill companies probably amounted to $60 million in 1953, most of it from book sales and advertising revenue. Of this amount, McGraw-Hill International Corporation, a wholly-owned subsidiary, provided less than 10 per cent, and of this $6 million OBS brought in some $100,000.

OBS expects this income to grow rapidly. US firms have not been alert to the need for international market research, the organization believes, because they have thought of foreign sales as plus business of secondary interest. But with the export boom dying and competition for dwindling foreign markets getting tougher every day, US industry will inevitably apply its traditional dynamism to this new management tool.

Wrapped in sleep... wrapped in love

Day's end for tiny legs and arms ... the bedtime story told, prayers said, the tired little body held for a moment's hug, then tucked into bed ...

Seal the day now with her good-night kiss and let her drift away into slumber, safe and secure.

Security is the deepest need of our living, and its greatest reward. To provide it for those we love is a privilege possible only in a country like ours.

And this is how we make America secure: by making our own homes so. One secure family circle touching another builds a secure land.

Saving for security is easy! Here's a savings system that really works—the Payroll Savings Plan for investing in United States Savings Bonds.

Go to your company's pay office, choose the amount you want to save. That money will be set aside for you before you even draw your pay. And invested in Bonds which are turned over to you.

If you can save only $3.75 a week on the Plan, in 9 years and 8 months you will have $2,137.30. For your sake, and your family's, too, how about signing up today? Or join the Bond-A-Month Plan where you bank.

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Money Gets Cheaper Again

By Jules I. Bogen

Former Editor, New York Journal of Commerce

A TREND toward lower interest rates is now worldwide. As a result, credit has become much easier. In the first half of 1953 the Eisenhower administration bucked this trend by adopting a tight-money policy. The gradual slackening of business last May and June, however, brought about a drastic reversal, culminating in the Federal Reserve Board's reduction of the discount rate from 2 to 1.75 per cent in February.

The reasons for this action are obvious. After the outbreak of the Korean War in mid-1950, the Western world rushed to rearm. Inflationary pressures were created which central banks tried to combat by raising discount rates and adopting other measures of credit control. Since business everywhere was stimulated by government defense purchases and commodity prices were also advancing, the tighter credit policies did business no harm and helped to lessen inflationary pressures.

Rearmament, however, is not war. It does not involve progressive expansion of government spending accompanied by reduced production of civilian goods. During the rearmament period, as defense spending reached a plateau and leveled off, the supply of consumer goods proved more than adequate. As the market filled out, inflationary pressures slackened and a recession appeared likely.

One after another, central banks recognized this basic change in the world's economic structure and reduced discount rates—thus making credit cheaper and more easily available. West German banks cut the discount rate twice in 1953, dropping it all the way from 4.5 to 3.5 per cent. The Netherlands central bank cut its rate from 3 to 2.5 per cent, while the Bank of England and the Bank of France both went from 4 to 3.5 per cent. Belgian and Swedish rates declined to 2.75 per cent.

These reductions strongly influenced the monetary policies of the US. It could no longer be said that we were maintaining an easy-money policy in the face of a general return to monetary orthodoxy abroad. Instead, our tight-money policy of early 1953 stood out as an exception to a developing international trend toward easier credit that was aimed at heading off a business recession. Primarily for domestic reasons, the US, too, was eventually obliged to lower its central bank rates.

In addition to affecting our monetary thinking, however, this trend abroad toward lower credit will have other repercussions:

1. There will be some increase in the demand for US goods due to the stimulus of easy money. Foreign trade and currency controls, however, will inhibit some transactions. This improvement in demand will be especially true for capital goods financed with borrowed money.

2. As credit becomes more readily available from internal sources in other countries, there should be correspondingly fewer attempts to raise funds in the US. At the same time, demand for private American capital abroad will be less.

3. It will be easier to sell securities in US-owned or partly US-owned firms to investors in the countries where the firms operate.

4. Finally, it is safe to say that foreign central banks, like our own Federal Reserve, will take further steps to make credit easier, money cheaper, if the recession continues.

World Correspondents Cable:

Business Ahead

DUSSELDORF — Closer ties between German and American heavy industry may be expected as the result of a new industrial agency that the Krupps have recently established in this city.

Alfred Krupp von Bohlen and his wife, Vera, together with American interests, have created a new company, known as Veral (for Vera and Alfred Krupp) International.

It will act as a liaison between the Krupps and American firms interested in marketing their goods in Germany. It will also help American firms and the Krupps to reach agreements on marketing in third areas and will provide the administrative machinery necessary for exchange-of-patents or license deals. First American firm to sign up is Blaw-Knox of Pittsburgh; others are waiting, hat in hand. They include one of the foremost copper producers.

ZURICH — General Motors has taken out a license with the Brassert Company of Zurich to produce steel by the new "oxygen blast" method. Beginning this summer, GM expects its Detroit plant to be turning out 30 tons of steel per converter every half-hour, compared to 120 tons every six to eight hours produced by open-hearth operations.

Brassert is the holding company for the four firms—two Austrian and two German—which perfected the new method. The GM mill, first of its kind in the US, is to be built under the supervision of engineers from the Austrian Alpine Montan Union.

The advantages of the oxygen-blast method are said to be that the steel it produces resists aging better than the open-hearth product, and the evener rate of output permits smoother processing. The operation consists of blasting 98 per cent pure oxygen onto the surface of the bubbling ore in the converter. A single 30-ton converter can produce 100,000 tons of the best-grade steel annually.

MEXICO CITY — A private group of capitalists from the state of Chihuahua has a big scale investment program for this year. The group, headed by Eloy Ballina, president of the Banco Commercial de Chihuahua, has US as well as Mexican members.

The capitalists plan to invest 400 million pesos to construct a cement plant, a cellulose factory, several warehouses, and apartment houses.

Another group, the "Nacional Financiera," which has headquarters here, is also seeking outside capital. It is trying to attract funds from Germany, the United Kingdom, Italy and Japan to be invested in Mexican industry.

BELGRADE — The first major business transaction between Russia and Yugoslavia since 1950 is about to be concluded. The deal provides for the delivery of 3500 tons of steel from the USSR to Yugoslavia, to be shipped via the Soviet zone of Austria.

JOKARTA — While the recent boom in coffee prices has American housewives and Congressmen steamed up, some US manufacturers may benefit directly from the high prices. The tremendous worldwide demand for coffee—plus cocoa and tea—means that some commodity-producing countries which have recently been suffering from shortage of foreign exchange are acquiring large amounts of dollars and sterling as their balance of payments improves. These funds will enable Asian nations like Japan, Ceylon, India and Indonesia to buy more manufactured goods abroad—many of them in the United States.

HELSINKI — The USSR, barred from buying machinery in the United States, is going to provide Finland with between $10 and $20 million worth of gold to be used to purchase American equipment. While Finland is not expected to turn this equipment over to the Russians, she will undoubtedly use it to increase her industrial output—and then sell the added goods to the Soviets.

VIENNA — US and Canadian oil companies whose operations have been severely limited since the Russians took over the Austrian oil fields in 1945, are beginning to explore other areas.

The Van Sickle Company (Canadian) is reported to have struck oil in Styria, which is in the British zone. The same company has also just drilled the first hole in the Carinthian Radkersburg district, where the Germans did some testing during the war. American oil companies are currently prospecting in the same areas and should be able to show some working wells before the end of 1954.

FOR BRIGHT FRIENDS

Here is a coupon that you can use to jot down the names of a few friends or business associates who you think would be particularly interested in this issue. We shall be glad to mail them a copy with our compliments.

WORLD
319 East 44th Street
New York 17, New York

Please mail a complimentary copy of this issue of WORLD to the following:

Name .....

Address .....

City ..... Zone ..... State .....

Name .....

Address .....

City ..... Zone ..... State .....

Name .....

Address .....

City ..... Zone ..... State .....

Name .....

Address .....

City ..... Zone ..... State .....

It's not necessary to sign this coupon. But if you'd like us to tell your friends that their copy of WORLD is being sent at your suggestion, *print* your own name here:

_____

Consultants Without Fee

Retail Price Comparisons for International Salary Determination *(UN Sales Number: 1954. XVII. 1; 30 cents).*

Had Remington Rand read this survey when it began to receive complaints that some of its overseas branches paid higher salaries than others, it might not have been forced to hire an outside research agency to clear up the trouble (see p.60). Using New York City as the base for its study of retail prices, the survey contrasts it with other leading cities in every part of the free world.

Statistical Yearbook 1953 *(UN Sales Number: 1953, XVII.9; $6).*

Like its predecessors, this fifth issue of the United Nations Statistical Yearbook is a complete summary of worldwide economic and social data prepared by the UN's Statistical Office with the assistance of national bureaus of statistics, UN specialized agencies, and various inter-governmental bodies.

The present volume contains most of the tables given in earlier editions, and adds diamond production, number of cotton-loom installations, production of paper other than newsprint, and index numbers of quantum and unit value of world exports.

The 578 large-size pages not only provide most of the statistics required by the international businessman, but furnish a yardstick of comparison between countries. Useful indexes.

Questionnaire on the Tax Treatment of Foreign Nationals, Assets and Transactions: Reply of the Government of Pakistan *(UN ECOSOC document E/CN.8/46/Add 3; no charge*).*

A complete description of Pakistan's tax structure as applicable to foreigners. Under direct taxes are listed income tax, capital gains tax, and capital and property taxes; under indirect taxes are listed sales taxes, taxes on transportation and communications, stamp duties, social security and other taxes. Rates and method of evaluation are thoroughly discussed. While there is no guarantee that Pakistan's (or any other country's) information is completely accurate, the UN has a habit of checking with the US government and other sources where reasonable doubt exists.

Full Employment: Implementation of Full Employment and Balance-of-Payments Policies *(UN ECOSOC document E/2408/Add 3; no charge*).*

Under resolutions of the General Assembly and ECOSOC, countries must periodically submit statements on employment, balance of payments, and economic trends, objectives and policies. The UN can then use these statements to put pressure on countries to adopt measures to avert depressions. They are equally meaningful, however, to businessmen who want to keep tabs on market conditions and general economic health in areas where they have subsidiaries or sell their products. The information in this particular document is supplied by Australia, Belgium, Chile, Czechoslovakia, Ecuador and Laos.

A Study of Trade Between Asia and Europe *(UN Sales Number: 1953.II. F.3; $1.50*).*

First attempt by three UN groups—the Economic Commissions for Asia and the Far East, and Europe, and the Food and Agricultural Organization—to correlate their studies.

The Problem of Economic Instability *(C. K. Kazanjian Economics Foundation, Westport, Conn.; no charge).*

Five economists (Emile Despres, Albert G. Hart, Milton Friedman, Paul A. Samuelson, and Donald H. Wallace) take a long look at the problem of economic instability in peacetime USA. They discuss how to avoid mass unemployment and major price fluctuations while maintaining steady growth in production. The report tells the layman what economists do and do not know about instability and gives him a great deal of useful technical information.

**A United Nations Publication. Addresss DPI, United Nations, New York 17, N.Y.*

Quests for Belief

THE CAPTIVE MIND, *by Czeslaw Milosz. Knopf; 251 pp., $3.50.*

THE REBEL: AN ESSAY ON MAN IN REVOLT, *by Albert Camus. Knopf; 273 pp., $4.*

Reviewed by
Granville Hicks

Albert Camus: for him, rebellion is a foredoomed imperative

MANY European intellectuals who are firmly opposed to communism hesitate to declare themselves on the side of the United States in its struggle against the USSR. We listen gladly to their attacks on communism, as we should, for they know more about it than we do, but their neutralism, if it does not exasperate us, leaves us puzzled and hurt. We do not try hard enough either to understand them or to make them understand us.

These two books, one by an intellectual-in-exile from Communist Poland, the other by one of the leading thinkers of France and the postwar West, bring out this problem of international understanding in vivid and illuminating focus.

The Captive Mind is the most important book about communism to come out of Europe since Koestler's *Darkness at Noon*, and it is important for essentially the same reason: it takes us inside the minds of the Communists. Although never a member of the Party, Milosz worked with the Communist regime in Poland from 1945 to 1951, was honored by it as a poet, and served it as a cultural attaché in Washington and Paris. He has not only given us a revealing account of the Communist mentality and logic; he has shown, through his own story and the stories of friends, how the Soviet Union was able to secure the support of a considerable number of Polish intellectuals.

Like many others who have rejected Russian communism, Milosz is not wholly happy about what he finds in the United States. One of his chapters, "Looking at the West," sums up Polish opinion as he has known it. Much of the dislike and distrust of the West results, he admits, from Communist suppression and distortion of the truth. But there are certain hostile impressions of the West, and particularly of the United States, which he appears to share. There is the feeling that Americans, having been spared the calamities that have ravaged Europe in the past forty years, are incapable of understanding European problems. There is the suspicion that American culture is materialistic and vulgar. And there is doubt that the West has a logic with which to meet the crushing logic of communism.

The first point is largely valid and one that we should try to remember. The second, to which I shall return shortly, is wholly familiar. It is with regard to the last point that Americans are most likely to grow impatient with Milosz, for it seems clear to us that it is sufficient to oppose what he calls the New Faith with freedom. If men are free, we would argue, they can find out for themselves what they should believe.

To Milosz, however, and probably to most European intellectuals, our attitude seems naive and irresponsible. On the one hand, if they have not themselves been taken in by Communist logic at one time or another, their friends have been, and they want to know where the flaws in that logic lie. On the other hand, they cannot dismiss communism, as we are prone to do, as a monstrous and unaccountable aberration of the Russian mind, for they know how directly it flows from some of the main streams of modern European thought.

That is precisely the theme to which Albert Camus has devoted *The Rebel.*

It is, as Herbert Read says in his foreword, "a kind of book that appears only in France, devoted, in a passionate intellectual sense, to the examination of such concepts as liberty and terror." In this analysis of the ideas of rebellion, Sade, Saint-Just, Dostoevsky, Nietzsche, Hegel, Marx, Bakunin, and Lenin pass in review, marching steadily toward two goals—"irrational terror" of Nazi Germany and "rational terror" of Soviet Russia.

Camus is not opposed to rebellion as such; on the contrary, he sees it as an affirmative act, a discovery and a proclamation of values. He sees it, indeed, as the crucial act of affirmation in a secularized world. "Rebellion," he writes, "is the common ground on which every man bases his first values. I *rebel*—therefore we *exist*." Yet, as he shows, disaster has again and again been the fruit of rebellion. The attempt to rid the world of injustice ends in tyranny.

He is dealing, in short, with the great paradox of modern history. When the rise of science and industry had implanted in men's minds the belief that social institutions were not the inviolable creations of the Deity but were human in origin and could be shaped for the benefit of humanity, there was, as Camus points out, a great outburst of optimism. The hopes of the revolutionaries were natural, but they were to be disappointed—not once, but again and again, and always more horribly. The quest for a just human society has seemed to lead inevitably to the institutionalization of injustice until, finally, as both Camus and Milosz testify, the Stalinist state enshrines, in the name of the highest of human ideals, the worst of human behavior.

All this has been recognized, even in America, and the natural response has been an effort to restore Divine authority. The religiosity that is recommended to us in this country by billboard advertising designed by the highest-paid agencies and by editorials in the most successful magazines is, of course, an attempt to make the best of both worlds, but some Americans—Whittaker Chambers, most articulately—have suggested a willingness to retreat whatever distance is necessary for the sake of restoring order to society. Milosz is noncommittal on this point: he himself, apparently, would not be unwilling to return to the faith of his fathers, but he is too realistic to stake much on a general revival of religion. Camus is less ambiguous: a child of 1789, his solution is found within the traditions of rebellion.

Camus' solution is essentially an attempt to make explicit what he has already implied in *The Plague*. In that novel Dr. Rieux is a conscious rebel, "fighting against creation." As he tells Father Paneloux, "To my dying day I shall refuse to love a scheme of things in which children are put to torture." Yet he is a rebel so schooled in suffering and so filled with love that there is in him no slightest suggestion of the Grand Inquisitor.

This moderation, which Rieux seems to have developed naturally, has been deliberately cultivated by his friend, Tarrou. Tarrou, who became a revolutionary because of hatred of the death penalty and of the callousness of his father, a prosecuting attorney, revolted against the revolution when he found himself performing his father's role in the revolution's name. "I resolved," he tells Rieux, "to have no truck with anything which, directly or indirectly, for good reasons or for bad, brings death to anyone or justifies others' putting him to death."

In *The Rebel* Camus approaches his solution by way of a discussion of rebellion and art, and comes to the conclusion that when rebels condemn or neglect the qualities that are essential to artistic creation, they are bound to betray the cause for which they believe themselves to be fighting. (It is interesting that Milosz finally broke with the Communists when he realized that he could continue working with them only if he accepted their doctrine of socialist realism, which seemed to him the negation of true creativity.

Camus goes on to challenge faith in logic. "Does the end justify the means?" he asks. "That is possible. But what will justify the end? To that question, which historic thought leaves pending, rebellion replies: the means." He takes the side of moderation, not because it is easy but because it is difficult: "In 1953, excess is always a comfort, and sometimes a career. Moderation, on the other hand, is nothing but pure tension." He offers this rule of life: "To learn to live and to die, and in order to be a man, to refuse to be a god."

Camus' book almost certainly will not make the kind of impression in the United States that it has made in France, not just because we care less passionately for ideas, but also because hopefulness is not so unusual with us as it is with the French. Yet we would be wrong to underestimate either the importance of the ideas with which it wrestles or the significance—especially to us and our cause—of the conclusions it reaches.

Camus has little to say about the United States, but now and then he does refer disparagingly to the ideal of "unlimited production." At one point he says that this is equally an American and a Communist ideal. So it is, and at the moment an ideal that is far closer to being realized in the United States than in the Soviet Union. And with what evil effects? In a passage that surprises one by its realism, Camus writes: "The age of the spinning wheel is over and the dream of a civilization of artisans is in vain. The machine is only bad in the way it is now employed. . . . The real and inhuman excess lies in the division of labor. But by dint of this excess, a day comes when a machine capable of a hundred operations, operated by one man, creates one sole object. This man, on a different scale, will have partially rediscovered the power of creation which he possessed in the days of the artisan." Precisely, and it is in the United States, in this era of unlimited production, that such predictions are being fulfilled.

Milosz is quicker than Camus to disparage American culture. For instance, after justly denouncing Westerners for their indifference to the sufferings of oppressed peoples—he is talking about the inhabitants of the Baltic states—he says: "They [the Westerners] are equally unconcerned about forms of destruction other than slaughter and compulsory deportation. For example, they regard the spiritual death of people condemned to work hard all day and to swallow the poison of films and television at night as completely normal."

About the Reviewer: *Writer, editor, teacher, critic, philosopher, Granville Hicks is perhaps best known for his analyses of our changing socio-political environment. His books include* John Reed—The Making of a Revolutionary *and* The Great Tradition.

I know what he means, but I also know that no one is literally condemned to look at television, and I know that, harsh as such a fate would seem to me, I should infinitely prefer it to being condemned to work in a Siberian mine. Milosz himself is not so blind as he tries to make out, for he says that in the United States "a new civilization has arisen which is popular, vulgar, perhaps in some respects distasteful to more 'refined' people, but which assures its masses a share in the output of machine production."

Is it impossible to suggest to such persons as Milosz that, as between the United States, in which the masses have something to say about their vulgar civilization, and the Soviet Union, in which an equally vulgar civilization (as Milosz admits), with tyranny and exploitation to boot, is thrust upon the masses, they ought not to find it hard to make a choice? Would it be rude to tell them that a popular culture is by definition vulgar and that whatever happens, short of the destruction of civilization, their problem is going to be how to live with such a culture? What Lionel Gelber says in *The American Anarchy* is true: "Europeans, like others who have come down in the world, may vent their spleen upon an American benefactor: what they resent is, *au fond*, the twentieth century."

But Mr. Gelber says it rather rudely, and rudeness is something all of us should try to avoid. Milosz and Camus, neither of whom tends to underestimate the power of Russian communism, agree that it has a weakness—its inflexibility. We have our own inflexibilities, and we should be grateful to European intellectuals, among others, for making us conscious of them. But at the same time we must point out to the neutralist European intellectuals, as gently and as persuasively as we can, that they may do great damage, to their own countries as well as to ours, if they remain committed to ideas about America that have lost whatever validity they may once have had.

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NEW AND NOTEWORTHY

Henry Cabot Lodge: A Biography, *by John A. Garraty. Knopf; 446 pp. $6.*
Profiting by the first availability of Lodge's personal papers and the help of his grandsons (one of whom, UN Ambassador Henry Cabot Lodge, Jr., contributes valuable dissenting footnotes), the author has written the best study yet of Wilson's redoubtable foe.

Substitute for Victory, *by John Dille. Doubleday; 219 pp. $3.*
Clean style and wise judgments mark this admirable report on Korea and Japan, which politely but factually underscores General MacArthur's mistakes and inadequacies.

Robert M. La Follette, *by Belle Case La Follette and Fola La Follette. Macmillan; 1305 pp., 2 vols., $15.*
An overlong, over-reverent yet important and endearing biography of the great Wisconsin statesman who ran for President as an Independent in 1924. By his wife and daughter.

The Portable Renaissance Reader. *Edited by James Bruce Ross and Mary Martin McLaughlin. Viking; 756 pp., $2.50.*
One hundred and twenty-odd writings covering classics of both the Italian and the North European renaissance from 1400 to 1600, plus a masterly introduction, bibliography and chronological chart.

Time and Idea: The Theory of History in Giambattista Vico, *by A. Robert Caponigri. Regnery; 226 pp., $3.*
A difficult but rewarding presentation of the great eighteenth-century Italian philosopher's speculations on history, by a professor of philosophy at Notre Dame.

The Bolshevik Revolution: 1917-1923, *by Edward Hallett Carr. Macmillan; 614 pp., $6.*
Together with the two previous volumes, this is far and away the most thorough and comprehensive history in English of Russia's early revolutionary period.

The Head and Heart of Thomas Jefferson, *by John Dos Passos. Doubleday; 442 pp., $5.*
A full-bodied, living portrait of Jefferson and his times which should delight and edify the general reader, though students of the period will find little new material.

Principia Politica, *by Leonard Woolf. Harcourt, Brace; 319 pp., $5.*
A type of book which is curiously out of style today, a meandering rumination which concludes, among many, many other things, that communism is incompatible with modern life and cannot produce a workable form of government.

The Nemesis of Power, *by J. W. Wheeler-Bennett. St. Martin's Press; 829 pp., $12.*
A lasting contribution to the history of our time, a magnificently written, shining example of scholarship, which traces the rise of the German Army after 1918 and its subsequent decay — militarily, politically and spiritually.

From the University Presses

Law and Politics in the World Community. *Edited by George A. Lipsky. California; 373 pp., $6.*
Essays on aspects of international law, and on the United Nations as a legal order, by the world's foremost authorities. The book highlights the teachings of Hans Kelsen, whom many consider the century's greatest scholar in the field.

The Logic of British and American Industry, *by P. Sargant Florence. North Carolina; 368 pp. $5.*
Despite its rather overwhelming detail, this comparison of English and American practice gives a clear analysis of the function and structure of modern industry.

Stresemann and the Revision of Versailles, *by Henry L. Bretton. Stanford; 199 pp., $3.*
A careful study of the former German Foreign Minister's revisionist policy on the Versailles Treaty, with telling lessons for Allied leaders who are now wrestling with many of the same problems.

World Trade Policies, *by Henry Chalmers. California; 546 pp., $7.50.*
A collection of annual essays on the commercial policies of the world's nations from 1920 through 1953, written from the vantage point of Washington by one of the US government's best career economists.

Japan's Role in Southeast Asian Nationalist Movements: 1940-45, *by Willard H. Elsbree. Harvard; 182 pp., $3.25.*
This excellent study is the first to tell of Japan's crucial wartime role in fomenting the collapse of the colonial regimes and the emergence of new nations in the Far East.

Sideshow

That British Calm: In Nottingham, England, two-year-old Peter Tuckwood tumbled out of a third-floor window, plummeted forty feet, sat up, rubbed his head, and commented: "Oh dear."

Kitchen Police: *In Darmstadt, West Germany, Bernhard Novack was fined 5,000 marks for evading customs duties on used tires which he acquired from the occupation armies for recapping and resale. His protests were silenced by the court's reminder that all goods of the occupation authorities had to clear through customs—even garbage from occupation kitchens.*

Wily Witness: In Sidney, Australia, an unemployed office worker profited nicely from anti-communism: he applied for and obtained jobs from four different firms, later telephoned each one to denounce himself as a Communist. When he showed up for work he was fired, but collected a week's wages from the four disgruntled employers.

Keeping Up: *In Wales, a tax inspector investigating delinquent TV owners found that nearly a quarter of the houses flaunting antennas had no sets. The explanation: "An expensive form of snobbery indulged in by social climbers."*

Happy Riders: In Colombo, Ceylon, railroad officials stared in astonishment as passengers of an incoming commuters' train rushed up beaming to shake the engineer's hand. Explanation: for the first time in two years the train was on time.

Cold War Settlement: *In Tabriz, Azerbaijan, the newspaper* Azarabadega *published a hot tip on a sure-fire solution to East-West difficulties: Harry Truman, just before retiring from office, had offered Margaret's hand to Vasily Stalin, son of the late dictator, as a token of US goodwill. Even now,* Azarabadega *said, the love birds are living in wedded bliss in America.*

LETTERS to the Editor

► *In its January issue, in an exclusive story entitled "The Incredible Resolution," WORLD documented the fact that last fall, after a special committee had made a nine-month study of the tariff issue, its recommendation that the NAM take a liberal position was disregarded by the Board of Directors through fear of losing members and dues. Here are some of the reactions to this revelation which WORLD has received from businessmen:*

This article certainly is much food for thought. . . . All my life I have been connected with associations and on a number of occasions have had to vote contrary to my personal feelings —not from pressure but for the good of the whole organization. . . . I feel the Board of the NAM are sincere men who, when they passed the final resolution on the tariff, thought they were doing the right thing for their association.

JOHN A. BUXTON
Chairman of the Board, Implement and Hardware Insurance Company
Owantonna, Minn.

While I ardently believe in freedom of trade and in increasing the interchange of goods and services between peoples everywhere, I have no sympathy with your intemperate article. . . . For many years the NAM has refused, and rightly so, to take a position on tariffs, even when the shoe was on the other foot and there was clamor for increased import duties.

American manufacturers are divided on the subject and it would be very unjust for the NAM, representing the interests of so many manufacturers, to speak out decidedly on one side or the other of a controversial question. There is no sophistry about it, and it is quite improper to characterize the action of the Board as you have.

JASPER E. CRANE
Director, E. I. duPont de Nemours & Co.
Wilmington, Del.

The NAM's unfortunate stand on tariffs is very interesting. While I am a member of its International Relations Committee, I was in South America during the late summer and fall and, therefore, did not know the background until reading this article.

MARCEL N. RAND
Vice-President, International Division, Remington Rand, Inc.
New York, N. Y.

My company and I are selfish enough to believe that increased trade with foreign nations will be beneficial to this country as a whole and to individual companies. . . . As far as the action of the NAM on the tariff question is concerned, we believe your article was a factual report.

E. E. WEST, JR.
West Engineering Co.
Richmond, Va.

As a member of the International Relations Committee that worked hard to get a definite resolution past our group and up to the NAM Board, I am glad you have given complete publicity to the matter, and feel that your viewpoint is correct. I feel that this will not prove to be a permanent stand on the part of the Board of Directors, and that we will accomplish some definitive progress this year.

MAXWELL BRACE
President, Brace-Mueller-Huntley, Inc.
Syracuse, N. Y.

With regard to the NAM's stand on the tariff question, these are interesting sidelights and I am happy to have the story.

HARRY A. BULLIS
Chairman of the Board, General Mills, Inc.
Minneapolis, Minn.

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World Correspondents Cable:

What's Ahead

BERLIN — The Big Four foreign ministers will meet again late this year or early next to make a new effort to reach agreement on reuniting Germany.

The latest Berlin talks, WORLD has learned, constituted only the "first round" of formal East-West negotiations on the issue.

Exploratory diplomatic exchanges will continue up to the convening of a second conference. If necessary, a third and even a fourth meeting might be held.

Future Soviet strategy is based on the belief that, before the second conference begins, a leftist, anti-EDC French government—without Communist participation but supported by Communist votes in the National Assembly—will come into power.

This would greatly strengthen the position of the Kremlin, and weaken that of Washington and London, at the projected new talks.

LONDON — Queen Elizabeth's husband, the Duke of Edinburgh, will be named Prince Consort later this year, after the close of the royal couple's present Commonwealth tour and his own visit to Canada.

Court circles expect that a new title, "Prince of the Commonwealth," also will be conferred on him to symbolize the royal link uniting all the Commonwealth countries.

HONG KONG — The Chusan Islands, lying along the China coast between Shanghai and Formosa, are being turned by the Chinese Communists—with Soviet technical assistance—into a major air and submarine base, according to Chinese Nationalist reports.

The base, if developed, would threaten both Formosa and the US bastion of Okinawa.

LONDON — Parliamentary circles already are discussing privately the cabinet reorganization Foreign Secretary Anthony Eden is expected to carry out when he succeeds Sir Winston Churchill as Prime Minister some time around Whitsunday, June 6.

The highest Whitehall sources state that Churchill's retirement is a foregone conclusion despite his Commons statement calling rumors to that effect a "delusion." They explained that he made the statement for one purpose only—to prevent the resignation reports from weakening the position of the West at Berlin.

Eden's succession will be accompanied by an almost complete cabinet shakeup, with most of the Churchillian veterans following their chief into retirement.

The powers of Richard A. Butler as Chancellor of the Exchequer will be increased to give him virtually complete control over economic and trade policies, and he also will be made Deputy Prime Minister.

Either Harold MacMillan, now Housing Minister, or Sir David Maxwell Fyfe, now Home Secretary, will be appointed Foreign Secretary, with the odds favoring MacMillan.

Oliver Lyttelton, now Colonial Secretary, is expected to be named Minister of Defense.

Selwyn Lloyd, now Minister of State, will become Secretary for Commonwealth Relations, and Major Gwilym Lloyd George, now Food Minister, Minister of Labor, promoting the two to cabinet rank.

Minister of Labor Sir Walter Monckton is expected to be the new Lord Chancellor.

The Whitsunday retirement date was chosen not because of Churchill's health—which is greatly improved—but to give Eden time to consolidate his position before the next general elections, now expected in the fall of 1955.

NEW DELHI — India will greatly augment her troops stationed in Kashmir if the proposed US-Pakistan military aid agreement goes into effect.

STOCKHOLM — Sweden's air force will be completely re-equipped during the current year, French and British jets replacing the present Swedish-built propeller aircraft.

HONG KONG — A new air agreement between Moscow and Peking calls for the transfer of an additional 600 Soviet planes to the Communist Chinese Air Force during the next three years, according to Nationalist intelligence reports.

BOMBAY — A bitter court battle will soon open over the Bombay State government's order forbidding English-language instruction in primary and secondary schools except to children of foreign and Anglo-Indian parents.

Since English is the nearest approach to a common

What's Ahead

language in India, opponents of the measure, including Vice President S. Radhakrishnan and K. M. Munshi, Governor of Uttar Pradesh, consider it a further menace to national unity, already threatened by the demand for the establishment of separate states for each language area. They also claim it is unconstitutional.

PARIS — The historic chateau of Versailles will be renovated completely during 1954 at a cost of $3 million. The Rockefeller family already has contributed $250,000 of the sum needed.

COLOMBO — The Ceylonese and Indian Parliaments are both expected to ratify speedily the recent agreement conferring full civil rights on Indians in Ceylon who meet residence qualifications. An estimated 400,000 persons will benefit.

SAIGON — Spurred by their success in winning over native Viet-Namese troops, the pro-Communist Viet-Minh forces are attempting to induce the 8,000 Poles serving in the French Foreign Legion in Indo-China to desert by promising them privileged treatment and an early return home.

BONN — West German indignation is rising over the continued imprisonment by the French of Dr. Friedrich Ernst, Mayor of Strasbourg during the German occupation in World War II.

Dr. Ernst chose German citizenship when Alsace became French after World War I. He was recently freed after having been imprisoned as a collaborationist since 1945, but was rearrested when he attempted to cross the border into Germany.

LONDON — If the US Strategic Air Force is compelled to make atomic attacks to answer new Communist Chinese aggression in Korea or open intervention in Indo-China, it will direct its assaults on troops, military installations and supporting bases, and not on China's major cities or deep interior, according to a high Whitehall spokesman.

WORLD's source said that President Eisenhower promised this to Prime Minister Churchill at Bermuda in return for a pledge of full British political and material support should such attacks become necessary.

PARIS — Former French President Vincent Auriol will express disapproval of EDC—at least in its present form—in a series of syndicated newspaper articles.

Additional support to the opposition comes from the fear that, if the National Assembly ratifies the treaty, the Communist-controlled CGT will call a series of paralyzing nationwide strikes.

LONDON — Princess Margaret, sister of Queen Elizabeth, will visit the United States later this year after a stay in the British West Indies.

SEOUL — ROK President Syngman Rhee will make an all-out effort to force a favorable settlement of South Korea's dispute with Japan during the coming year, while he still has twenty divisions and a navy, and before Japan can rearm.

CAIRO — Egypt's plans to lead the other Arab League states into the "neutralist" bloc headed by India—and thus block Western plans for Middle East defense—is faced with imminent failure because of a serious split inside the League.

Iraq, Jordan and Lebanon have let it be known privately that they would welcome US aid, while Syrian President Adib Shishakli, grateful for Egyptian help in retaining power against mounting domestic opposition, is willing to follow Cairo's lead.

TOKYO — Japanese nationalism and rightism, which already have made a substantial comeback, may grow to alarming proportions in the next few months, foreign diplomats in Tokyo are telling their governments.

The reports point out that the rightist groups, which disguise prewar jingoism with a thin layer of pro-Americanism and anti-communism, have succeeded in forming a single nationwide front.

HONG KONG — The Chinese Nationalists will hold an "Anti-Communist National Salvation Conference" on Formosa during May to attempt to organize a united front against the Red Chinese regime.

Nothing very concrete is expected from the conference, since the "third force" Chinese groups have little popular support either in China itself or among Chinese living abroad.

GIBRALTAR — Great Britain will break off economic and trade relations with Spain if Generalissimo Franco proclaims an economic blockade of Gibraltar during Queen Elizabeth's scheduled visit in May. It may also recall its ambassador in Madrid, Sir John Balfour.

BONN — If the French National Assembly ultimately refuses to ratify EDC, West Germany may go ahead with existing plans to set up its own national army.

While such a force would not automatically be a member of NATO, it would constitute, de facto if not de jure, a major addition to existing NATO forces.

WORLD has learned that the US, Great Britain and France, while not openly supporting such a move, would give it their tacit blessing.

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In his ageless struggle on a cold and hostile planet, man's most faithful weapon—sometimes his only one—has been Hope; and it has never altogether failed him.

Even today, in the battle against one of our strongest and cruelest enemies—cancer—there are splendid indications that our hope and faith are not misguided; that the long winter of despair is no longer quite so cold nor quite so dark.

Already, cancer patients are being cured—completely cured—who, even five years ago, would have been beyond all help.

Tens of thousands are living happily this Springtime—and will live through many Springtimes yet to come—because they were *saved* last year from cancer.

Other tens of thousands *could* have been saved by today's knowledge, if only they had been treated *in time*.

Why weren't they treated in time—?

Because of all of us. We haven't worked hard enough at cancer education and service to patients. *And we still haven't given enough money* for training physicians, for clinics, and for research.

Yes, The Sword of Hope—symbol of the American Cancer Society's struggle against a mighty implacable enemy—is stronger and sharper than ever. If it isn't being wielded as powerfully as it might be, it's simply because more help is needed from *everyone*. Much more! Won't you please give *really generously*, this year—?

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World

America's Magazine of World Events

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This mid-monthly issue of **World** is compiled from exclusive cables from our correspondents.

The rice fields and jungles of Indo-China are today the crux of world politics.

It is the West's failures in this vital area that the Sino-Soviet bloc is exploiting to achieve its double purpose: the ***international recognition of Communist China*** and the ***torpedoing of the West European defense*** structure.

To save the day in this increasingly difficult situation is the overwhelming task which, in the next few weeks, confronts US diplomacy.

The heavily censored press dispatches from Indo-China fail to reveal the full gravity of the military position. WORLD can flatly state, however, that the predicament of the French Union forces is ***steadily growing worse.*** In the past few months the Communist-led Viet Minh rebels have overrun thousands of square miles of new territory. The French, after eight years of fighting, are still "cleaning up" the Red River Delta within a very few miles of Hanoi itself. But for massive and mounting American aid—and diplomatic pressure—the French Union armies would be at the point of actual collapse.

While ***high US officials in the Far East,*** anxious to preserve the façade of Franco-American friendship, publicly say nothing, WORLD has learned that privately they ***place the blame*** for the failure in Indo-China squarely on a group of strategically placed ***diehard French Army*** and colonial functionaries determined to "rule or ruin."

This group has ***sabotaged*** every attempt to build up an ***efficient native army*** for fear that such a force would insist on genuine instead of paper independence.

Contrary to US policy in Korea, where ROK officers were trained to command regiments, divisions and corps, hardly a single Viet-Namese officer has been trained to command any unit larger than a company or a battalion in actual combat. This has made it impossible for Viet-Namese troops to take the field except under French commanders, and thus deprived them of any possibility of independent action.

The morale of the native anti-Communist forces is now at its lowest ebb.

Meanwhile, the highest US and other Western authorities are ***frankly pessimistic*** over the outcome of the ***Geneva Conference*** opening April 26, with Communist China participating, on the Indo-Chinese and Korean problems. It is agreed, however, that no possibility for bringing about a Far East detente can safely be left unexplored.

The consensus is that the conference has only an ***outside chance,*** even with greatest good will on both sides, of producing a settlement in Indo-China, and that it cannot result in any change in the present Korean stalemate.

Failure of the conference to produce a settlement will, on the other hand, almost certainly result in a French withdrawal from Indo-China, confronting Eisenhower and Dulles with the ***dilemma faced by Truman and Acheson*** when the Communists invaded South Korea—***abandon the area*** to Communist domination, or ***commit the US to open war.***

* * *

WORLD can reveal the results of a ***secret survey*** ordered by French Premier Joseph Laniel. The poll showed that ***no more than 250 members*** of the National Assembly—or some 30 short of the necessary majority—would vote to ***ratify EDC*** if a showdown occurred before the Geneva meeting. In addition, six members of his Cabinet have informed him that they will resign—leaving France once again without a government—if he attempts to force a vote of confidence on the issue.

This is the measure of how ominously the dark shadow of Indo-China hangs over Western Europe itself.

Moscow is dangling before war-weary France the ***bait of an Indo-Chinese settlement*** in return for rejection or indefinite postponement of ratification—and the Soviet drive already has come ***perilously close to success.***

Even such ***powerful French business and industrial*** groups as the Mechanical Constructors' Syndicate and the Confederation of Small and Medium Enterprises have joined the "Geneva Firsters" in demanding that ***no vote be taken*** until after the conference.

Also bitterly opposed are the followers of ***General Charles de Gaulle,*** who plans to make a ***dramatic personal appeal*** to the Assembly if ratification appears likely, and, of course, the powerul Communist Assembly bloc. All other parties are split wide open on the issue.

Fighting against mounting odds to force a vote before April 15, when the Assembly recesses for Easter, are Foreign Secretary ***Georges Bidault,*** Socialist leader ***Guy Mollet,*** and former Premier ***Antoine Pinay.*** Their major argument is that ***Moscow respects only strength,*** and will not discuss a genuine settlement at Geneva unless ratification is a fait accompli.

Backing their desperate efforts are the US, Great Britain and West Germany, who are offering, in a series of secret conferences in Paris and elsewhere, ***every possible concession*** to meet French objections.

The assurances offered to strengthen Bidault in the ratification fight are:

1. British troops in Germany will be maintained at their ***present combat strength*** for the duration of EDC, ***fifty years,*** provided the US agrees to a similar extension of NATO.

For constitutional reasons, such US assurances would necessarily be limited to a semi-private "declaration of intention," but WORLD has been informed that Whitehall would regard this as satisfactory if it brought about French ratification.

2. Closest cooperation between the British Army of the Rhine and the European Army, with the ***British divisions*** placed under the operational ***command of French Marshal Alphonse Juin,*** NATO central sector commander and projected EDC commander-in-chief.

3. A permanent British delegation accredited to the EDC Defense Authority and headed by a ***ranking cabinet member*** who will sit on the ***EDC Council of Ministers.*** He is expected to be Defense Minister Field Marshal Lord Alexander.

4. Agreement by West Germany that the ***Saar shall be "Europeanized"*** until the signing of a German peace treaty, provided the Saar Landtag, as is virtually certain, consents. This in practice means abandonment by West Germany of its demands for early return of the area, now administered by France.

5. Early election of the projected European parliament to ensure ***complete civilian control.*** It is hoped this will win over Socialist waverers.

* * *

US diplomacy also is facing an ***almost insuperable task*** at the Tenth Inter-American Conference at ***Caracas, Venezuela.***

There is ***no prospect whatever*** that the Latin American nations will join Washington in any direct diplomatic action against Guatemala's pro-Communist government, and not much chance that they will approve even a resolution condemning the Arbenz regime in general terms.

The reluctant and resentful Latin American states insist that their ***economic difficulties,*** which they ***blame largely on the US,*** are of much greater importance than any existing Communist menace and would, if solved, eliminate the Communist threat almost entirely.

As the price of even paper censure of the Guatemalan regime, the US would have to